

FINANCIAL TIMES

VENEZUELA

Problems laid bare
by abortive coup

Page 5

φ D 8523A

FT No. 31,688
© THE FINANCIAL TIMES LIMITED 1992

Wednesday February 19 1992

World News

Dassault and BAe join forces on fighter project

UK rate cut more likely as pound strengthens

By Quentin Peel in Bonn

THE GERMAN economy is at a watershed, and the coming months will show if the slowdown is a pause for breath or the beginning of a long downturn, the Economics Ministry warned yesterday.

In its gloomiest prognosis for months, the ministry identified two decisive factors which could tip the economy into a lasting recession: a continuation of last year's high wage increases and falling exports.

Prospects of an early cut in UK interest rates rose after the pound firms and news of a big rise in long-term unemployment increased pressure on the government to stimulate the economy.

Robin Leigh-Pemberton, governor of the Bank of England, stressed the potential problems for the UK economy when he warned that the confidence of exporters could be damaged by a slowdown in the world economy. Page 14 and Lex

INSURANCE: Three insurance groups - Royal Insurance of the UK, Axaer and Munich of Germany and Fondax of Italy, agreed a joint venture to start the European insurance market. European Partners for Insurance Co-operation (Epic) will start by buying the Dutch operations of Royal Insurance. Page 15; Lex, Page 14

EUROPEAN BOURSES: Most bourses were pulled up by the rising dollar, with the Paris CAC-40 index reaching its highest level since Iraq invaded Kuwait, closing up 1.5 per cent at 1,912.21. In Frankfurt, the DAX rose by nearly 1 per cent ending at 1,694.59. World stock markets, Page 14

MIDLAND GROUP is unlikely to pay a dividend for the second half of 1991, making it the first English clearing bank to omit a dividend since the 1930s. Page 16

IRISH PM to see Major: Irish prime minister Albert Reynolds invited opposition leaders to urgent talks on Ireland's anti-abortion law after a court prevented a 16-year-old, made pregnant by a rapist, from travelling to the UK for an abortion. Page 4

Summit in July: US president George Bush and Russian president Boris Yeltsin are likely to hold their first formal summit meeting in July in Washington, White House spokesman Martin Fitzwater said.

LIBYAN "TRAVESTY": The US dismissed as a travesty of justice a Libyan hearing at which two Libyans, accused of the bombing of a Pan Am jet over Lockerbie in Scotland in 1988, appear. Page 4

EXPO pavilion wrecked: "Time Machine", one of the most eye-catching pavilions of the Seville Universal Exposition, which opens in April, was destroyed by fire. Page 2

CEASEFIRE takes hold: The United Nations said it believed indiscriminate shelling of civilians in Mogadishu had eased following a ceasefire it negotiated between Somali combatants. Page 14

SWEDEN to pay up: Sweden said it would reimburse Estonia and Lithuania for 41.85kg of gold, now worth about \$46m, they deposited in Sweden before the Soviet Union took over the Baltic republics in 1940. Sweden gave the gold to Moscow just after it incorporated the states. Page 15

SUBMARINES collide: A nuclear-powered submarine of the former Soviet navy was hit by a US submarine which illegally entered Russian waters. Moscow claimed. The US said its submarine had been hit and the incident happened in international waters. Page 15

PUNJABIS go to polls: A low turnout is feared today when Punjab votes for the first time after nearly five years of direct rule from New Delhi. About 20 people have been killed in election violence - a low figure by Punjab standards. Page 4

HINT of widening scandal: A draft report by an Italian Senate committee investigating the scandal over \$4bn of improper Iraqi loans made by the Atlanta branch of Italy's Banca Nazionale del Lavoro, raises the possibility of US and Italian government involvement. Page 14

MAXWELLS stay silent: Lawyers acting for Kevin and Ian Maxwell have refused to answer a questionnaire sent by a UK Commons' committee about the raiding of pension funds. Page 20

STRIKING the wrong note: Argentina is investigating claims that its mint has been forging banknotes after two authentic notes appeared with identical serial numbers. Page 5

UN aims to redraw Iraq border with Kuwait

By Mark Nicholson in Kuwait city

KUWAIT looks certain to be given several Iraqi oil wells and part of a naval base as a result of a United Nations border proposal.

Western diplomats in Kuwait said Baghdad would be infuriated by the demarcation. But there was little Iraq could do beyond complaining. Mutual trust on the new border is just something else which will have to wait until the regime changes in Iraq, one diplomat said.

The UN Commission, established as part of the Gulf war ceasefire agreement, is not expected to present its findings until April. However, officials close to the commission say the team has already decided

on "parameters" for the border. These will lie several hundred - in some cases thousands - of metres north of what has previously been accepted as the border.

The demarcation will place in Kuwaiti territory between five and seven oil wells in the Iraqi portion of the Rumaila oilfield. The UN experts have also decided that the point at which the border meets the coast is virtually certain to run through Iraq's main naval base at Umm Qasr.

The new border will anger Baghdad for a number of reasons. Iraq revived its disputed claim to the whole of Kuwait as justification for its August 1990 invasion. It also claimed southern portions of the Rumaila oilfield, which dips into Kuwait, and had expressed irritation about its limited sea access.

Umm Qasr has been virtually Iraq's sole serviceable port since the Shatt al Arab waterway was closed in September 1980 by the outbreak of the Iran-Iraq war. President Saddam Hussein launched the war in part to gain full sovereignty over the Shatt al Arab.

The commission's findings Continued on Page 18

LINES IN THE SAND, Page 4

Del Monte juice and fruit group plans UK flotation

By Robert Peston and Roland Rudd in London

DEL MONTE Foods International, the leading juice and canned fruit company in Europe, is preparing for a £45m (£760m) public flotation on the London stock market.

The share sale will be one of the biggest non-US initial public offerings in the UK for several years. It will make multi-millionaires of DMFI's four executive directors, who bought 5 per cent of its shares in a £37.5m management buy-out of the company in May 1990.

DMFI is completely separate from the Del Monte fresh fruit business, which was bought by Polly Peck International, the fruit and electronics conglomerate which collapsed in 1990. Polly Peck's administrators are also thought to be planning to float their Del Monte business, although probably in the US.

Both companies were for many years part of RJR Nabisco, the US food and tobacco group. When RJR was bought by the US buy-out specialists, Kohlberg Kravis Roberts, in February 1989, Del Monte was

sold and broken up. DMFI has exclusive rights to use the Del Monte name for processed foods in most parts of the world except the US. Its biggest market is Italy, where its annual sales are \$80m, followed by the UK, where the turnover is \$70m.

While other big buy-outs in the past couple of years have struggled to hit their financial targets, DMFI's profits have grown rapidly. In the year to November 1991, its profits before interest and tax rose 24 per cent to \$29.5m, as sales grew by 13 per cent to \$252m.

"No business is recession proof," said Mr Leon Allen, chairman. "However, we have succeeded in pushing up both the volume of sales, by 10 per cent last year, and in widening margins." DMFI is confident of at least maintaining its present profit and sales growth.

He said the company's success was based on "focusing on the quality end" of the branded fruit juice and canned fruit market. "Our prices are

between 10 and 20 per cent more than the opposition's," Mr Allen added.

The business is being floated by Charterhouse, the UK merchant bank whose investment funds own half of DMFI, and Cazenove, the London stock broker.

The share sale is scheduled for the autumn. There will be a London listing though many of the shares will be offered to institutions in the US.

Between £250m and £300m of shares will be offered to individuals and institutions in the flotation, with existing shareholders keeping the rest. Of the shares being sold, around £200m will be new equity, to redeem preference shares and pay off debt.

DMFI's management was backed principally by three of Charterhouse's buy-out funds, when they bought the company from Del Monte Corporation in the US. A Merrill Lynch-led private consortium, about 60 DMFI managers participated in the buy-out.

MARKETS

Japanese to quiz former PM about political donations

In a televised hearing next Tuesday, Japan's former prime minister Zenko Suzuki, 61, is due to answer allegations of accepting large political donations. He is being called in response to opposition pressure. Page 4



STERLING

New York close \$1.7535 (1.771)

London £1.644 (1.6265)

FFP 5.5865 (5.5335)

SFR 1.4835 (1.4685)

Y127.835 (127.5)

London £1.648 (1.622)

DM 1.848 (1.823)

SF 1.483 (1.463)

Y128.0 (126.5)

N SEAS ONL (Argus) £ index 90.6 (90.8)

Brent 15-day Mar \$17.575 (17.525)

Observe 12

Gold 34

Stock Marketsworld 23

-London 23

Ind. Capital Markets 18

Letters 10

Technology 10

Lex 28-29

Unit Trusts 28-29

Chief price changes yesterday: Page 15

Management 34

DOLLAR

New York close

DM 1.644 (1.6265)

FFP 5.5865 (5.5335)

SFR 1.4835 (1.4685)

Y127.835 (127.5)

London £1.648 (1.622)

DM 1.848 (1.823)

SF 1.483 (1.463)

Y128.0 (126.5)

N SEAS ONL (Argus)

3-mo Treasury Bills

3.899% (3.85%)

Long Bond:

100 1/2 (101)

US closing rates

107.38 (-5.10)

Tokyo: Nikkei

106.72/73 (-45.95)

LONDON MONEY

3-month Interbank

102.5% (103%)

Libor long gilt future:

100 1/2 (101)

yield: 7.984% (7.805%)

Mar 97/98 (Mar 97/98)

STOCK INDICES

FTSE 100: Yield 4.8%

2,555.9 (+ 14.9)

FT-A All-Shares:

1,223.50 (+ 0.5%)

FT-SE Eurotrack 100:

114.83 (+ 6.18)

New York lunchtime:

DJ Ind. Av. close3 (-21.24)

S&P Com:

407.38 (-5.10)

Tokyo: Nikkei

106.72/73 (-45.95)

LONDON MONEY

3-month Interbank

102.5% (103%)

Libor long gilt future:

100 1/2 (101)

yield: 7.984% (7.805%)

Mar 97/98 (Mar 97/98)

MARKETS

3-month Interbank

102.5% (103%)

Libor long gilt future:

100 1/2 (101)

yield: 7.984% (7.805%)

Mar 97/98 (Mar 97/98)

3-month Interbank

102.5% (103%)

Libor long gilt future:

100 1/2 (101)

yield: 7.984% (7.805%)

Mar 97/98 (Mar 97/98)

3-month Interbank

102.5% (103%)

Libor long gilt future:

EUROPEAN NEWS

Row over bombers deepens Ukraine rift with Russia

By Leyla Boultou in Moscow and Chrysalis Freeland and John Lloyd in Kiev

RELATIONS between Ukraine and Russia suffered a fresh blow yesterday with a squabble over ownership of military hardware.

Mr Viktor Batuk, head of the international organisations department of the Ukrainian Foreign Ministry, said Ukraine had taken over a division of long-range bombers in retaliation for the flight to Russia of Soviet air force pilots in military aircraft based in Ukraine.

The republic's president, Mr Leonid Kravchuk, has demanded an official explanation from Moscow about the flight of the pilots in six Su-24 bombers.

Marshal Yevgeny Shaposhnikov, the defence minister of the Commonwealth of Independent States (CIS), said yesterday the aircraft had flown to a military airbase near Smolensk and that the pilots would remain in Russia. "A comrade is coming here so we can talk about the planes," he said.

He made no specific comment about Ukraine's move to take over the 21 bombers based at Uzin, even though they are part of the strategic forces which the 11 Commonwealth states agreed should remain under joint command. But he said the fact that the unit commander had sworn allegiance to Ukraine did not mean a section of the strategic forces now belonged to the republic.

Mr Volodymyr Belashov, a Ukrainian Foreign Ministry official, said Kiev's position was that the hardware itself should belong to Ukraine but that the nuclear weapons they carried would belong to the Commonwealth.

Marshal Shaposhnikov, who is opposed to Commonwealth leaders' decision to allow for separate republican armies, nevertheless predicted that the

TWO nuclear-powered submarines of the US and former Soviet navies collided in Arctic waters off northern Russia last week, it was disclosed yesterday. Reuter reports from Moscow.

Moscow said it would protest to Washington over the incident, which it claimed took place in Russian territorial waters.

Interfax news agency quoted a report by the navy of the Commonwealth of Independent States (CIS) as saying the US submarine, which was identified by US officials as the Baton Rouge, was in Russian waters illegally when it hit the unnamed Commonwealth craft off the Kola peninsula in the Barents Sea.

A US official travelling with Mr Dick Cheney, US defence secretary, in Guatemala yesterday confirmed the incident but said the submarine from the CIS had hit the Baton Rouge.

former Red Army would ultimately splinter into republican forces.

He said the break-up should be conducted in a "civilised manner since we call ourselves civilised people".

Asked about reports that a military joint venture had sold military hardware based in Ukraine, he said the armed forces had been authorised by former Soviet President Mikhail Gorbachev to engage in commercial activity.

As commander-in-chief of the Commonwealth armed forces, Marshal Shaposhnikov said his room for decision-making was complicated by the fact that he had eight republican masters for conventional forces and 11 for strategic forces. But he also



James Baker, US secretary of state (left), and Andrei Kozyrev, Russian foreign minister, discuss their meeting in Moscow yesterday which focused on a global safety system and reduction of strategic offensive weapons. The White House later said President George Bush and Russian President Boris Yeltsin were likely to hold their first formal summit meeting in July in Washington

stressed the importance of protecting the Commonwealth of independent states from over land, where it would press for the withdrawal of all Commonwealth troops from the area. He said the Commonwealth would provoke a military coup.

Turning to fighting in the Trans-Caucasus, he warned that unless Armenia and Azerbaijan found a peaceful solution to their conflict over land, he would press for the withdrawal of all Commonwealth troops from the area. He said the Commonwealth would provoke a military coup.

Reuter adds from Moscow: A top aide to President Boris Yeltsin warned yesterday that a break-up of the Commonwealth would provoke a military coup.

Mr Sergei Shakhur, Russian deputy prime minister, issued

the warning to members of his parliament in Moscow. "I think that both politicians and deputies realise one clear thing – the collapse of the Commonwealth now is a 100 per cent [guarantee] of a military coup d'état."

Hungary holds January's inflation rate to 28.2%

By Nicholls Denton in Budapest

HUNGARY'S rate of inflation fell 4 per cent last month to take the annual rate below the psychologically important 30 per cent level for the first time since July 1989.

The rise in the January consumer price index to a level 28.2 per cent above the year-earlier figure was partly technical as the effects of subsidy cuts, price liberalisation and

the rise in Soviet energy prices to world levels fell out of the statistics. The last consumer subsidies, excluding public transport, were abolished in the 1992 budget.

Downward pressure on inflation was also helped by appreciation of the forint, the national currency, which increased competition from imports in the domestic market.

The National Bank of Hungary has made lower inflation its priority after concentrating on strengthening the balance of payments in 1991. Economists believe slower decline in inflation gives Hungary a firmer base from which to embark on economic expansion after last year's 6.1 per cent decline in gross domestic product.

Hungary fought a four-hour battle to extinguish the blaze at the Discoveries Pavilion. Considered as a Time Machine that used a combination of visual effects to explore five centuries of discoveries, inventions and technological applications, the pavilion was a key component of Expo '92's commemoration of Christopher Columbus' voyage to the New World 500 years ago.

Although the fire's cause was not known last night, security experts have voiced fears that Expo '92, which groups some 80 pavilions representing nations and organisations, would be a target for terrorist groups.

The destroyed complex, which consisted of eight modules spread over 12,000 sq metres, was expected to draw about 30,000 visitors a day.

Other buildings on the Expo site, which stands on an island in the middle of Seville's Guadalquivir river, were not affected.

Mr Jacinto Pello, Expo '92 chief executive, said last night: "This is a profound setback."

Greek deputy PM quits over economy

MR Athanassios Kanellopoulos, Greek deputy prime minister, resigned yesterday after criticising the government's economic policy as ineffective, Reuter reports from Athens.

One of the most senior members of the ruling conservative New Democracy party, he was the fifth cabinet member to resign or be sacked in the past year.

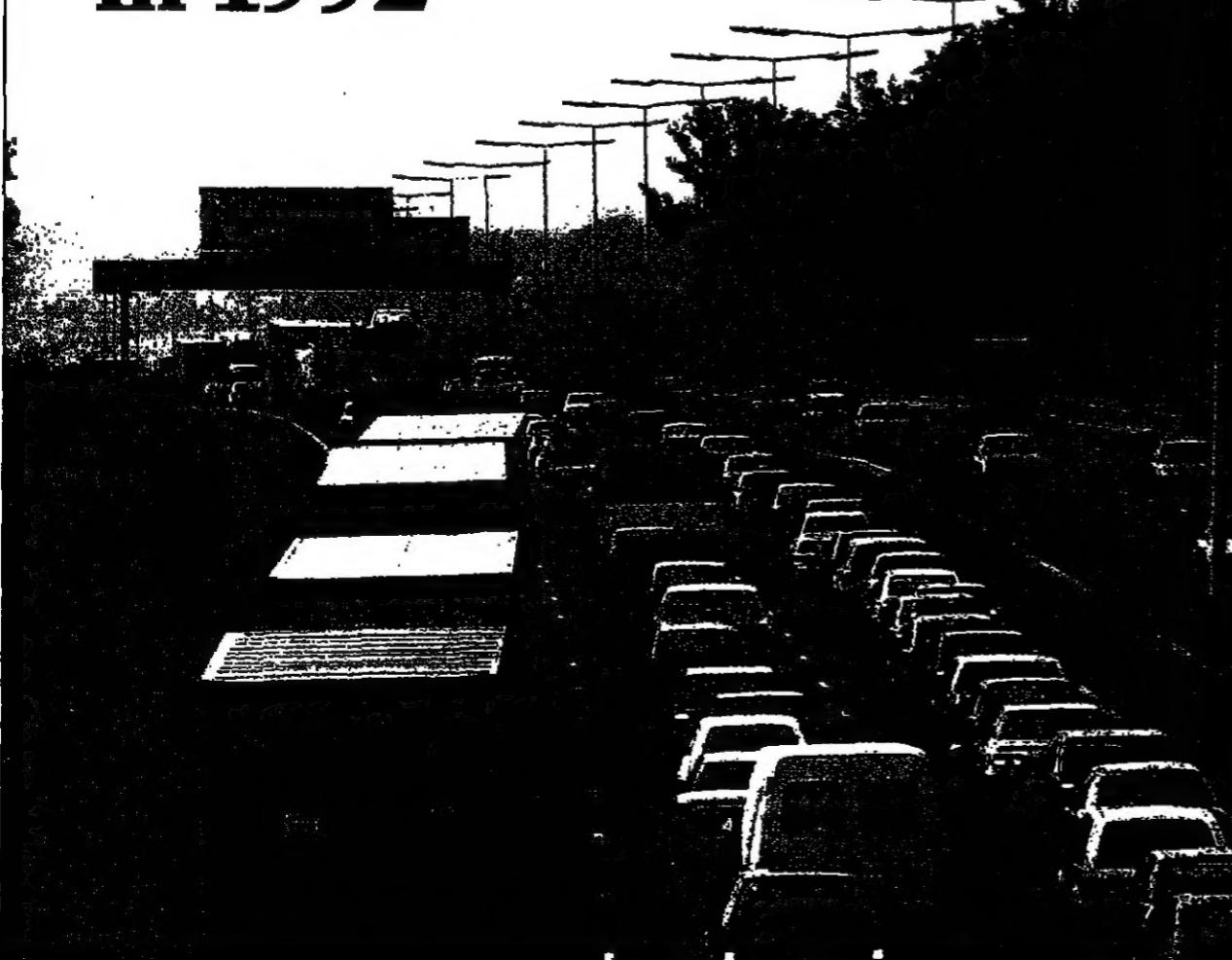
Mr Kanellopoulos said in a newspaper interview earlier this month that the government's economic policy was unfair and unimaginative, prompting strong reaction from other government officials.

As well as excellent air connections to the rest of the world, Schiphol offers good road and rail connections to Europe.

With no terminal transfer problems, services renowned for their efficiency and the world's finest duty free area, Schiphol is an airport that is worth passing through. Right now, all our facilities are being expanded and improved to make sure they keep ahead of demand.

Before you waste your energy on the M25, check out the more convenient connection.

Some barriers to Europe won't come down in 1992



To do business in Europe, you need to get there relaxed and ready for action.

If the thought of fighting your way around London and through its busy airports appeals you, consider the more convenient option: Amsterdam Airport Schiphol.

From many parts of the UK, you'll find it easier and quicker to fly to your European destination via Schiphol's single terminal.

There are scheduled direct flights to Amsterdam from:

- Aberdeen
- Edinburgh
- Birmingham
- Bristol
- Cambridge
- Cardiff - Wales
- East Midlands
- Edinburgh
- Glasgow
- Newcastle
- Huddersfield
- Manchester
- Norwich
- Southampton
- Stansfield
- Teesside
- Leeds Bradford

Amsterdam Airport Schiphol

French Gaullists will try to block Maastricht pact

By Ian Davidson in Paris

FRANCE'S Gaullists have served notice that they will campaign against the terms of the Maastricht treaty recently signed by the European Community. Their main objection, as set out this week by Mr Alain Juppé, the party's secretary general, is to the provision for extending the vote in local elections to nationals from other EC countries.

"It is completely out of the question to give foreigners the possibility of having municipal councillors, who could then endorse a candidate for the presidency, elect senators or become mayor," Mr Juppé said.

The party also objects to the explicit target of a single European currency, at the end of the process of European monetary union. It would be better, Mr Juppé argued, to develop a 13th single currency, rather than "rush into an adventure whose consequences we cannot assess".

He also demanded that the treaty be coupled with an amendment to the French constitution to give parliament a greater role in decisions on Community legislation.

After several years of the party acquiescing without enthusiasm in President François Mitterrand's European policy, these objections to the Maastricht treaty represent a clear-cut reversal to the traditional nationalism of Gaullism.

In the short run, this will make it easier for the Gaullists to adopt a frankly nationalist position in next month's regional elections, and thus

compete more openly for the nationalist vote now swaying towards National Front.

But it is not yet clear whether the Gaullists, even in tacit alliance with the Front, can mobilise an effective opposition to ratification of the treaty. If the other half of the conservative opposition, the centre-right UDF group, sticks to its traditional principles, it will support the treaty, virtually assuring ratification.

said yesterday, AP reported from Paris.

A day earlier, Mr Alain Juppé, the US secretary of state, announced in Moscow that the US would be providing \$100 million for a century-old international clearing house in Russia that would gather proposals for employing former Soviet nuclear scientists in civilian projects.

Germany is also supporting the plan. A primary purpose of the project is to keep the scientists and engineers from using their knowledge to further military ends.

Western industry also had to work closely with the contractors to build up the volume of local supplies and contracts in such work. This would account for the other DM\$500 million planning work.

It was unrealistic to expect Bulgaria, Czechoslovakia, Hungary and most of the former Soviet Union republics to close their nuclear power plants at once, since they depended on these for electricity.

Plans for an institute in Russia to employ atomic scientists in civilian endeavour may be insufficient to keep Soviet nuclear know-how from spreading to other countries, Mr Hans-Dietrich Genscher, the German foreign minister,

Siemens urges more money to make nuclear plants in east safe

By Andrew Fisher in Düsseldorf

WESTERN countries must make more money available to help meet the estimated DM12bn (\$7.5bn) cost of making nuclear power stations in Russia and the rest of eastern Europe safe, according to Mr Adolf Hütte, head of the KWW energy division of Germany's Siemens industrial group.

He said the international exchange portion of this, to finance imports into the affected countries of vital equipment such as new control instruments, could be kept at about DM4bn.

Western industry also had to work closely with the contractors to build up the volume of local supplies and contracts in such work. This would account for the other DM\$500 million planning work.

It was unrealistic to expect Bulgaria, Czechoslovakia, Hungary and most of the former Soviet Union republics to close their nuclear power plants at once, since they depended on these for electricity.

Plans for an institute in Russia to employ atomic scientists in civilian endeavour may be insufficient to keep Soviet nuclear know-how from spreading to other countries, Mr Hans-Dietrich Genscher, the German foreign minister,

CONTRACTS & TENDERS

INVITATION TO BID FOR THE ACQUISITION OF SHARES OF "ELLINIKOS NIÖGNOMON, S.A."

The Hellenic General Insurance Company ETHENIKI, S.A., wishes to sell 12,510 shares of the Company "Ellinikos Niognomon, S.A." (Greek Register of Shipping), which shares constitute 34.75 per cent of the Company's share capital. "Ellinikos Niognomon, S.A." was founded in 1919 and is engaged in the inspection of Greek and foreign ships and the issuance of certificates of seaworthiness.

FINANCIAL INFORMATION (in Million of Drachmas)

	1986	1987	1988	1989	1990
Assets	126.0	154.3	182.2	344.3	371.8
Turnover	158.3	176.1	223.5	343.5	380.3
Profit (Before Tax)	34.6	41.3	46.8	139.0	160.0

Exclusive adviser to ETHENIKI and intermediary for the sale of the aforementioned shares is the National Bank of Greece, S.A.

1. Bids must be placed in a sealed envelope and delivered to the National Bank of Greece S.A. Investments and Capital Markets Division, Panteleimonidion 68 & Patision 1 (3rd Floor), 104 31 Athens, by 1 pm, on Friday, 13 March 1992. The bids will be binding for a period of three (3) months and must be accompanied by a letter of warranty issued by a Bank in the amount of 25,000,000 Drachmas and valid for a period of three (3) months. The warranty deposit does not in any way establish a claim to the acquisition of the shares. Interested parties may get further details by contacting the aforementioned Investments and Capital Markets Division, National Bank of Greece.

On the sealed envelope, it must be clearly indicated that the bid concerns the aforementioned shares of "Ellinikos Niognomon, S.A." The bidder's data (name of individual or company, address, telephone) must also appear on the envelope. A summary of the bidder's activities must be submitted at the same time as the envelope containing the bid.

2. The sealed bids will be opened at 2 pm, on Friday, 13 March 1992, at the Investments and Capital Markets Division's office, Panteleimonidion 68 & Patision 1 (3rd Floor), 104 31 Athens. The opening will be conducted by a Committee, in the presence of the bidders or of their representatives, who will be authorized in writing.

3. The National Bank of Greece, S.A. will appraise the bids and retain the right, as a sole judge, to accept the bidding, cancel the sale or invite new bids.

4. If the bidding is annulled or the sale cancelled, the warranty deposit will be returned. If, however, the bank of Greece to do so, to the conclusion of such sale, the amount of the warranty (25,000,000 Drachmas) will be forfeited in favor of the seller of the shares (ETHENIKI).

For a more detailed fact sheet and any other amplification or clarification interested parties may addressees to the aforementioned Investments and Capital Markets Division at the National Bank of Greece, S.A. (telephone: 5236440 & 5235639 / fax: 5236944).

Germany plans action to lure back investors

By Quentin Peel

THE European is rethinking its food and drink laws, giving stronger food and drink industries, and plans to improve labour mobility, has been drawn up by the Economics Ministry.

The package is an attempt to meet the growing chorus of complaints from German industry that high wages and tax costs, and an excessive burden of social and environmental spending, are driving German and foreign investors alike away from the market.

In a special report on the issue, the ministry insists the complaints are "excessive and exaggerated". But it also admits that they should be taken seriously, as a reflection

of the real fears of German entrepreneurs.

"The warning signals should be taken seriously," it says. "The preservation and improvement of the quality of Germany as an investment location is a task which depends equally on the state, enterprises, wage partners and other social groups." Above all, action is needed with the approaching completion of the European Community's single market at the end of 1992.

The package includes:

- strict control of state spending, to prevent excessive demands on the domestic capital markets, and a rising tax burden on industry
- further cuts in corporate taxation, to bring the marginal

rate down to 46 per cent (from the current 51 per cent)

• registration of private job-hunting agencies, to break the monopoly of the Federal Labour Office in job placement

• encouragement of greater regional and sectoral variations in wages, especially between east and west Germany, and discouragement of binding national wage agreements

• greater flexibility of working times

• promotion of greater competition in infrastructure services, including telecommunications and transportation

• environmental controls on industry to be matched by government

• responding financial relief in other areas.

Tietmeyer defends high interest rates

By Peter Marsh, Economics Staff

THE GERMAN Bundesbank was acting in the best interests of Europe by keeping borrowing rates high, Mr Hans Tietmeyer, the bank's deputy governor, said last night. He told the London School of Economics the stance was aimed at bringing down German inflation, and that this would ultimately help price stability in the rest of Europe.

He also hinted strongly that the future European Central Bank (ECB) should be located in Frankfurt, and repeated recent Bundesbank warnings about the progress to European economic and monetary union around the end of the century. A union - featuring a single European currency supervised by the ECB - would make "no sense" unless the economic performance of individual countries grew closer.

Mr Tietmeyer acknowledged that the Bundesbank's action in December in increasing German rates by ½ percentage point had caused concern in other countries in the European exchange rate mechanism (ERM). The highest German rates since the 1980s have inhibited these nations from

cutting their borrowing rates.

However, he said the action, by damping German inflation triggered by unification, was essential to secure sound-money principles for the whole of Europe.

In moving towards ERM, Mr Tietmeyer said in a passage likely to appeal to the UK government, that Europe should rely on market forces to bring about the desired economic convergence in areas such as interest rates and inflation.

What appeared to be a reference to France, he expressed disapproval of the approach favoured by some in Europe of overt government intervention in areas such as industry. "Vigilance... is essential if the emergence of dirigiste policies is to be countered," he said.

He also urged the UK government to accelerate any moves to give the Bank of England independence from the Treasury over setting British interest rates. Such a move would be necessary if Britain were to decide to join ERM.

The powerful IG Metall union has also set itself against the job cuts, and union members yesterday mounted a demonstration outside AEG's Frankfurt headquarters for the second day running.

AEG office equipment plant to shut

By David Waller

in Frankfurt

DAIMLER BENZ, Germany's biggest industrial company, has managed to find new jobs for 1,400 of the 2,700 employees working at its AEG Olympia typewriter and office equipment plant in Wilhelmshaven. The factory is being shut after losing heavily for several years.

Most of the new jobs are at other Daimler subsidiaries.

The decision, finalised at a meeting of AEG's supervisory board in Frankfurt yesterday, has been taken after intense pressure from the port city of Wilhelmshaven to mitigate the effect of the closure on one of the most depressed regions of western Germany.

Last October Wilhelmshaven predicted that closure of the factory, coupled with planned job losses in the navy, would drive local unemployment from 15 to nearly 30 per cent.

The powerful IG Metall union has also set itself against the job cuts, and union members yesterday mounted a demonstration outside AEG's Frankfurt headquarters for the second day running.

cutting their borrowing rates.

However, he said the action, by damping German inflation triggered by unification, was essential to secure sound-money principles for the whole of Europe.

In moving towards ERM, Mr Tietmeyer said in a passage likely to appeal to the UK government, that Europe should rely on market forces to bring about the desired economic convergence in areas such as interest rates and inflation.

What appeared to be a reference to France, he expressed disapproval of the approach favoured by some in Europe of overt government intervention in areas such as industry. "Vigilance... is essential if the emergence of dirigiste policies is to be countered," he said.

He also urged the UK government to accelerate any moves to give the Bank of England independence from the Treasury over setting British interest rates. Such a move would be necessary if Britain were to decide to join ERM.

The powerful IG Metall union has also set itself against the job cuts, and union members yesterday mounted a demonstration outside AEG's Frankfurt headquarters for the second day running.

Italy's monetary parting of ways

Haig Simonian on reforms at the Bank of Italy and the Treasury



Promotion for highly regarded Mario Draghi

After a century together, the Bank of Italy and the Treasury last month took a step towards divorce with the decision to give the central bank autonomy to set the discount rate.

The move, while largely symbolic, was designed to bring the country closer to line with European Community commitments on economic and monetary union after the Maastricht summit in December. While the discount rate, the key rate charged by the central bank to commercial banks, used to be determined by the Treasury, it was only on the recommendation of the Bank of Italy located just down the road. Nevertheless, greater independence of central banks from governments was a key demand from the Germans in particular, and few EC countries will benefit more than Italy.

Treasury officials have for years fought a losing battle against free-spending politicians, who have given Italy Europe's second-biggest government deficit after Greece. A more independent central bank, with muscle to match its reputation for professionalism, is as welcome to reformers in Rome as it is to the architects of ERM.

The Bank of Italy's enhanced stature has been accompanied by moves to upgrade the Treasury's own abilities in economic policy management and macro-economic research and forecasting, which had previously been entrusted almost exclusively to the central bank.

In its first big re-organisation since 1888, the Treasury has appointed five new director-generals, equivalent to permanent secretaries in the UK civil service. Mr Mario Draghi, the highly-respected former official of the International Monetary Fund brought in to replace Mr Mario Sarcinelli as director general last year, is being promoted to a higher grade. Meanwhile, two of the newcomers are being brought in from outside.

One, Mr Francesco Giavazzi, a prominent economist from Milan's Bocconi university, will be responsible for macroeconomic research and forecasting. Among his first jobs will be to come up with names for the new 10-man council of permanent advisers, probably top economists, which was

set up at the persistent inability of Italian politicians to get to grips with the budget deficit. In his parting letter, he also drew attention to the scarcity of economic expertise in the Treasury.

The most important step yet to come - is the curtailment of the Treasury's right to use the Bank of Italy to fund the budget deficit. As in other countries, the Treasury has an account with the central bank for financing day-to-day public spending. However, the Italian account also carries an overdraft facility which would allow the most open-handed bank manager.

The credit line was originally intended to give the Treasury some flexibility in managing liquidity. But over the years, it has grown into a tool for financing budget deficits. Cumulative usage of the line has risen to more than L70,000bn (\$57bn), according to Mr Riccardo Barberi, an economist with J P Morgan in Milan.

Use of the line has been more limited in the past two years. However, there are still periods, such as last September, when the Treasury has gone on a hinge.

Mr Guido Carli, the veteran Treasury minister, has vowed to reform the credit line, a move that will probably go hand in hand with steps to reduce Italy's currently high bank reserve requirements.

With only hours before the dissolution of parliament last month, Mr Carli even put forward a draft law to underline his commitment to reforming the credit facility. Swept aside in the torrent of more pressing last-minute legislation, the bill had no chance of passing into law. But Mr Carli has laid down a marker for the next government.

At 77, Mr Carli, a former central bank governor, has earned a rest, but he may want to add a little longer to seecherised legislation, such as that on limited privatisations, take effect. With the main political parties likely to emerge weakened from the general election in April, Mr Carli's continued presence at the helm would also be a strong signal to other European partners, and to the new blood being brought into his ministry, that change, this time, really is at hand.

National strike over Portuguese pay award

A NATIONAL one-day pay strike by Portugal's public-sector workers caused widespread disruption yesterday, although support was patchy, writes Patrick Blum in Lisbon.

The strike appears to have been strongest in Lisbon, with public transport, schools and hospitals most affected. International air travellers faced cancellations and delays as ground staff walked out.

Unions called the strike in protest at the government's imposition of an 8 per cent pay rise on more than 300,000 public employees, in line with its inflation forecast for the year.

The strike went ahead despite an agreement last weekend with the moderate UGT union, raising its basic offer to about 10 per cent.

UK opposes ivory trade resumption

Britain is pressing the EC to oppose plans at next month's meeting of the Convention on International Trade in Endangered Species (Cites) to allow a resumption of trade in ivory products, writes John Blundell.

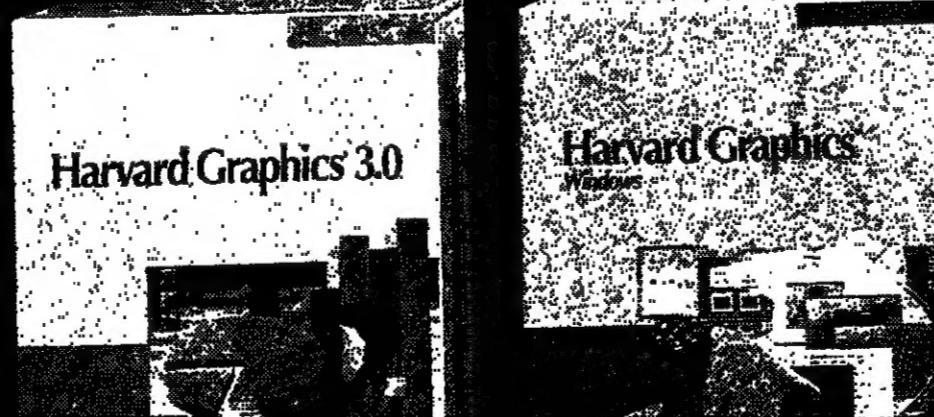
At the Cites meeting in Japan on March 2 some African states, including South Africa and Zimbabwe, are expected to urge that the ban on ivory trading, introduced in 1989, should be lifted. Others, such as Kenya and Botswana, are expected to seek a resumption of trade in other elephant products, such as skins.

The African states argue that money from the trade is needed to help conservation of elephants and other wildlife.

Swiss fraud arrests

Swiss authorities said yesterday they had arrested more people in a crackdown on a multimillion dollar international securities swindle, Rauter reports from Zurich. Last week police in Basle arrested several people and seized cancelled bonds worth a nominal \$80m. A Swiss citizen in Florida has been charged with bank fraud and interstate transport of stolen securities.

THE ONE AND ONLY



YOU AND HARVARD GRAPHICS. TWO MINDS AT WORK.

The ultimate business presentation graphics product has just become twice as powerful. For the one and only Harvard Graphics is now available under Windows.

You will find in it all the power, speed and know-how of Harvard Graphics 3.0 for DOS. And look better than ever by harnessing the world's best-selling presentation graphics package to the versatility of Windows.

The first thing you'll notice is the extraordinary power available to put even more depth - and life - into your business presentations.

The dynamic feature set in SRC's new Windows package means whole presentations will respond to changing data in a variety of linked applications.

You can analyse, modify and view data and even launch new applications in mid-presentation - with the broadest range and depth of charts available. And then have infinite scope for refinement and customisation using an array of pre-designed charts and presentation styles.

Never before has the full extent of pure presentation power been more graphically expressed than in Harvard Graphics.

But then there has only ever been one other mind so tuned to the real needs of business presentation graphics.

You and Harvard Graphics. Need we say more?

Harvard Graphics sounds like the business presentation graphics package I need.

Please send me a demo disk. DOS Windows 3.5" 5.25"

Please send me more information.

I am an existing Harvard Graphics user.

NAME _____

POSITION _____

COMPANY _____

ADDRESS _____

POSTCODE _____ TEL: _____

FAX THE COUPON TO 0344 860327 OR POST IT TO

SRC EUROPE, PO BOX 2, CENTRAL WAY, PEELHAM, MIDDLESEX TW14 0TG

OR TELEPHONE 0800 181819 TODAY. FT02/92

SRC SOFTWARE PUBLISHING CORPORATION

THE MIND THAT WORKS ON YOUR IDEAS

INTERNATIONAL NEWS

Reshuffle of Israel's old guard may unlock peace process

Today's Labour leadership election could free the logjam of Jerusalem politics, writes Hugh Carnegy

BETWEEN them, Yitzhak Shamir, 76, Shimon Peres, 68, and Yitzhak Rabin, 69, have occupied the office of prime minister of Israel for 12 of the last 18 years. The overwhelming likelihood is that one of them – polls favour the present incumbent, Mr Shamir – will do so again after the June 23 general election.

Nevertheless, leadership elections in the Likud and Labour parties today and tomorrow promise more than just a reshuffling of the all-too-familiar old guard.

The two contests may not produce new faces at the top. But they will have a considerable effect on the shape of the inevitable coalition government that will emerge from the election, and especially on its posture towards the Middle East peace negotiations launched in Madrid last October. They may determine whether the process, currently sustained chiefly by US pressure on the participants, will achieve anything of substance.

The more bitter is being fought in the Labour party, which under the leadership of Shimon Peres has led a government for only two years since Likud first came to power under Menachem Begin in 1977. In an unprecedented ballot of 150,000 members today, Yitzhak Rabin, replaced as leader by Mr Peres in 1977, is seeking to take over the party once more.

Two other candidates, Mr Israel Knesser, leader of the Histadrut trade union federation, and Mrs Ora Nahmias, a former party activist and MP, are also on the ballot. But the real contest is between old rivals Peres and Rabin.

Mr Rabin, Chief of Staff during the triumph of the 1967 Six Day War, when Israel captured the West



Shamir (left) could do business with Rabin (right) if the latter defeats arch rival Peres (centre) in today's Labour leadership contest

Bank, the Gaza Strip, the Golan Heights and Arab east Jerusalem, believed Labour is finally handicapped by Mr Peres' leadership.

His supporters say Mr Rabin can recapture voters who have gone over to the Likud because of fears over whether Mr Peres is too willing to make concessions to the Palestinians.

According to opinion polls, a Rabin victory would dramatically improve Labour's prospects in June. One showed Labour with 32 per cent support, only one point behind the Likud, under Mr Rabin, but nine points behind on 27 per cent

under Mr Peres.

Labour would probably lose more voters to a new united front of three small "Jewish" parties if Rabin is the leader rather than Peres. But they would still be in the camp of natural Labour allies against Likud.

The contest for the Likud leadership tomorrow appears less uncertain. Mr Shamir is challenged by Mr David Levy, his foreign minister, and Mr Ariel Sharon, the housing minister, but should comfortably win in the first round outright.

The vote will be an important indicator of the relative strengths of the various camps within the party. In particular, Mr Levy has much at stake. As the most vociferous supporter of the peace talks within the government, he needs to achieve a good showing – 25 per cent or more – to secure his future claims on the leadership, his present status as number two to Mr Shamir, and to demonstrate backing for his relatively conciliatory stance.

Mr Levy's supporters, mainly Sephardic, or Oriental Jewish communities, tend to be less ideologi-

ally committed to the occupied territories than the old Ashkenazi, or European leadership represented by Mr Shamir.

With unemployment at more than 10 per cent and rising because of the strains of mass immigration from the former Soviet Union, they are concerned that Likud is losing ground to Labour on economic issues. Opinion polls showing up to 30 per cent of the electorate dissatisfied with the government's economic performance bear this out.

The polls show a solid majority of Likud supporters back Mr Shamir's good result in the Likud vote.

uncompromising line in the peace talks. But at the same time, more than a third express a less dogmatic approach. For example, a recent survey showed 39 per cent of Likud voters in favour of freezing Jewish settlements in order to win 100m in loan guarantees from the US.

If Mr Shamir – and perhaps even

Mr Sharon – roundly defeats Mr

Levy, Likud will go into the June

election in as tough a mood as ever.

If, in addition, Mr Peres survives as Labour leader, then the betting in Israel is that Likud will emerge again as the biggest party, the economy notwithstanding.

The customary long period of coalition bargaining would ensue (no party has ever won an outright parliamentary majority). But given the deep animosity between Mr Shamir and Mr Peres, a revival of a Likud-Labour partnership is extremely unlikely, leaving instead the option of a right-wing coalition hostile to any peace talk compromise – similar to that which collapsed last month.

Even with Mr Rabin at the head

of Labour, the party is given little

chance of defeating the Likud. But a

Shamir-Rabin coalition would be a

distinct possibility. The two have

worked closely together before.

They disagree on the shape of a final settlement in the occupied territories. But they could almost certainly formulate a joint approach on Palestinian autonomy which would improve the prospects for the peace talks to reach the interim solution on the West Bank and Gaza sought as an initial breakthrough by the US. Such an outcome would not be easily achieved, but it would be enhanced if Mr Levy achieves a

good result in the Likud vote.

Boycott ends as LDP agrees on bribery probe

By Stefan Wagstyl in Tokyo

JAPAN'S ruling Liberal Democratic Party and opposition parties last night agreed terms for a parliamentary hearing into a bribery scandal, involving Kyowa, a bankrupt steel maker and property developer.

Opposition parties called off a two-week boycott of the Diet (parliament) staged in order to force the LDP to allow a full examination of the affair. The deadlock has delayed debate over the government budget for the new fiscal year which starts in April and other government business. It also provoked renewed criticism of Mr Kiichi Miyazawa, the prime minister, for his alleged failure to defuse the row.

The politician most deeply involved in the scandal is Mr Fumio Abe, a former cabinet minister, who has been charged with receiving a total of ¥50m (£405,400) in bribes in return for supplying planning information. Mr Abe was originally charged with receiving bribes worth ¥50m. The charge was later amended to ¥50m. The Tokyo district public prosecutor's office this week closed

its investigation of the affair and indicated that no action would be taken against other politicians who also took money from Kyowa.

Mr Abe will probably not be summoned before the Diet since his case is sub judice. But the LDP agreed to demands from opposition MPs to call two other leading LDP members who are alleged to have accepted large political donations from Kyowa - Mr Jun Shiozaki, a former junior minister, and Mr Zenko Suzuki, a former prime minister. Both have denied any wrongdoing.

Those who have acknowledged receiving funds include aide to Mr Katsuji Tanaka, the former prime minister, who was involved in the Lockheed bribery scandal in the 1970s.

Yesterday an aide to Mr Yasuhiro Nakasone, another former prime minister, acknowledged that a political research institute established by Mr Nakasone after he left office in 1987 may have given evidence in televised hearings next Tuesday.

Even though the Kyowa affair is seriously disrupting Diet business, it is a preliminary event before politicians begin to argue in earnest over

US scoffs at Libya's Lockerbie 'hearing'

By Mark Nicholson in Kuwait City

THE United States yesterday dismissed Libyan legal proceedings connected to the 1988 Lockerbie bombing as a travesty of justice, Reuter reports from Washington.

The state department spokesman, Mr Richard Boucher, said a Libyan hearing at which two Libyans, accused of the murder of 270 people who were on a Pan Am jet, appeared was yet another delaying tactic.

The two men, Mr Abdel Basset Ali Mohammed Al-Megrahi and Mr Al-Amin Khalifa Fhimah, appeared before the media in a meeting room at the Libyan Supreme Court.

The appearance, which followed what Judge Ahmed al-Zawi described as a routine investigation session, seemed designed to put to rest reports that Libya had hidden or executed them to evade attempts to have them extradited.

Crackdown after Abidjan rioting

Ivory Coast's main opposition leader was arrested with hundreds of supporters yesterday when an anti-government march, originally defining the west African country, Reuter reports from Abidjan. Mr Laurent Gbagbo, leader of the Popular Front, was detained at a military camp with other opposition leaders. Mr Alassane Ouattara, the prime minister, said that they were held because the opposition had failed to control the marchers, estimated at about 20,000.

Also in the fray is a small, inconsequential faction of the Akai Dal whose leader, Mr Amrinder Singh, was elected unopposed before the campaign started when his opponents withdrew.

It is believed they withdrew because they wanted at least a token Akai Dal presence in the new Punjab legislature. Mr Amrinder Singh is thought to be backed by the Congress and is tipped to become chief minister of Punjab if no party wins a majority.

Security provided by the military for the elections has been heavy.

All candidates were given protection by the army and they campaigned, if at all, quietly. Elections meetings were held by some national leaders amid tight security and before small audiences. Mr P.V. Narasimha Rao, the prime minister,

whose Congress party is one of the main contestants, did not campaign at all.

Apart from the Congress, the main parties contesting the elections for 13 members of parliament and 17 members of the state legislature are the Hindu revivalist Bharatiya Janata Party and the Marxists.

So far about 30 people have been killed in election violence – a low figure by Punjab standards.

Security provided by the military for the elections has been heavy.

All candidates were given

protection by the army and

they campaigned, if at all, quietly. Elections meetings were held by some national leaders amid tight security and before small audiences. Mr P.V. Narasimha Rao, the prime minister,

UN grapples with border demarcation between Iraq and Kuwait

Lines in the Gulf's shifting sands

By Mark Nicholson in Kuwait City

BORDER demarcation in the Middle East, and particularly in the often featureless desert topography of the Gulf states, is a notoriously rough and ready business. Pity, then, that the United Nations Commission trying to reach a definitive demarcation for the line between Iraq and Kuwait, historically among the most bitterly contested – and among the most clumsily defined.

Roughly speaking, the border was agreed to lie just south of the Iraqi town of Safwan and reach the coast where the channels Khor Zubair and Khor Abdallah meet to the north of Kuwait's Buham and Warba islands. A working acceptance of this border was in place up to August 1990 when Iraq invaded Kuwait.

After the Gulf war ceasefire, however, the US-led anti-Iraq coalition, backed strongly by Kuwait, sought to define once and for all the precise meeting point of Kuwait and Iraq and set up the special UN Commission accordingly. It is expected to reveal its final decision at its fifth post-war meeting in April.

The trouble is that the official correspondences and maps, mostly penned by British officials in the first third of the 1900s, originally defining the border, are full of such words as "south of..." and "just south of..." – wholly inadequate for such hotly-disputed territory.

In translating lines on the map into lines on the generally featureless ground, the commission has had to contend with references to such things as the most southerly date palms and in 1938 stole the original border post.

Deciding on exactly where the border reaches the coast – it is agreed to run in a straight line from the position of the original Safwan border post – has also been complicated by the fact that many of the original British maps were not drawn to scale.

It now appears that the Commission, which has completed most of its field work, has decided that the border should lie somewhat to the north of its

presently accepted line – a fact which this month prompted Mr Saad Eddin El-Sayegh, Kuwait's representative on the Commission, to declare that the new border will encroach on the emirate's historical rights.

But more pertinently to the question of future political peace in the region, it will also deny Iraq claims.

Three times this century, in

1933, 1951 and of course 1990, Iraq has belligerently pushed

the site of a border post, hampered in place by a British political agent in 1923 – for years the only border post along the entire boundary.

These might be features enough in the scrubby wastes

south of Safwan, were it not for the fact that the Iraqis

early in the 1920s cannily planted new sets of southern

date palms from Safwan and in 1938 stole the original border post.

Deciding on exactly where the border reaches the coast – it is agreed to run in a straight line from the position of the original Safwan border post – has also been complicated by the fact that many of the original British maps were not drawn to scale.

It now appears that the Commission, which has completed most of its field work, has decided that the border should lie somewhat to the north of its

presently accepted line – a fact which this month prompted Mr Saad Eddin El-Sayegh, Kuwait's representative on the Commission, to declare that the new border will encroach on the emirate's historical rights.

But more pertinently to the question of future political peace in the region, it will also deny Iraq claims.

Three times this century, in

1933, 1951 and of course 1990, Iraq has belligerently pushed

the site of a border post, hampered in place by a British political agent in 1923 – for years the only border post along the entire boundary.

These might be features enough in the scrubby wastes

south of Safwan, were it not for the fact that the Iraqis

early in the 1920s cannily planted new sets of southern

date palms from Safwan and in 1938 stole the original border post.

Deciding on exactly where the border reaches the coast – it is agreed to run in a straight line from the position of the original Safwan border post – has also been complicated by the fact that many of the original British maps were not drawn to scale.

It now appears that the Commission, which has completed most of its field work, has decided that the border should lie somewhat to the north of its

presently accepted line – a fact which this month prompted Mr Saad Eddin El-Sayegh, Kuwait's representative on the Commission, to declare that the new border will encroach on the emirate's historical rights.

But more pertinently to the question of future political peace in the region, it will also deny Iraq claims.

Three times this century, in

1933, 1951 and of course 1990, Iraq has belligerently pushed

the site of a border post, hampered in place by a British political agent in 1923 – for years the only border post along the entire boundary.

These might be features enough in the scrubby wastes

south of Safwan, were it not for the fact that the Iraqis

early in the 1920s cannily planted new sets of southern

date palms from Safwan and in 1938 stole the original border post.

Deciding on exactly where the border reaches the coast – it is agreed to run in a straight line from the position of the original Safwan border post – has also been complicated by the fact that many of the original British maps were not drawn to scale.

It now appears that the Commission, which has completed most of its field work, has decided that the border should lie somewhat to the north of its

presently accepted line – a fact which this month prompted Mr Saad Eddin El-Sayegh, Kuwait's representative on the Commission, to declare that the new border will encroach on the emirate's historical rights.

But more pertinently to the question of future political peace in the region, it will also deny Iraq claims.

Three times this century, in

1933, 1951 and of course 1990, Iraq has belligerently pushed

the site of a border post, hampered in place by a British political agent in 1923 – for years the only border post along the entire boundary.

These might be features enough in the scrubby wastes

south of Safwan, were it not for the fact that the Iraqis

early in the 1920s cannily planted new sets of southern

date palms from Safwan and in 1938 stole the original border post.

Deciding on exactly where the border reaches the coast – it is agreed to run in a straight line from the position of the original Safwan border post – has also been complicated by the fact that many of the original British maps were not drawn to scale.

AMERICAN NEWS

Bush looks to heavy turnout in primary

By Lionel Barber in Manchester, New Hampshire

PRESIDENT George Bush was yesterday hoping for a heavy voter turnout in New Hampshire to contain Mr Patrick Buchanan, his right-wing Republican challenger, in the first primary election of the 1992 presidential campaign.

As Mr Bush waited nervously in Washington, Mr Buchanan's campaign buses took to the streets in a last-minute drive to drum up support. Although the president held a solid lead going into yesterday's contest, the White House said yesterday it was concerned about turnout

among Mr Bush supporters.

The Democratic race focused on former Senator Paul Tsongas of Massachusetts, a self-styled pro-business liberal, who has risen from obscurity to become the front-runner. A victory by Mr Tsongas could throw the Democratic campaign into turmoil, encouraging better-known national Democrats to come forward.

New Hampshire has a tradition of upsets, one part kingmaker and one part giant-killer. In 1968, President Lyndon Johnson dropped his plans for re-election after an unexpected

strong showing by Senator Eugene McCarthy, the anti-Vietnam war protester.

This year's race is doubly unpredictable because the state has lurched from boom to bust in the past three years.

Mr Bush has come under withering attack from Mr Buchanan and the five leading Democratic candidates for being an absent president who has failed to end the recession.

Some Republican strategists were raising questions about Mr Bush's decision to avoid attacks on Mr Buchanan. A vote of 31 votes cast, Mr Marron, of Arkansas, the early Democratic favourite dogged by unsubstantiated charges of adultery and draft-dodging during the Vietnam war, has vowed to continue his campaign even if he fails to clinch an expected second place.

Buchanan would generate huge publicity for the conservative TV commentator even though he has no serious hope of winning the nomination.

One sign of volatility came early yesterday. Voters in Dixville Notch near the Canadian border defied predictions by casting enough votes for Mr Andre Marrou, the libertarian candidate, to win outright.

Or 31 votes cast, Mr Marron, whose party favours the abolition of income tax and the legalisation of all drugs, has vowed to continue his campaign even if he fails to clinch an expected second place.

Creditors reject debt demand by Argentina

By John Barham in Buenos Aires

ARGENTINA'S creditor banks have rejected demands by Mr Domingo Cavallo, economy minister, for a 40 per cent cut in the country's \$31bn (£17.1bn) commercial bank debt under the Brady debt reduction plan.

They offered instead a 30 per cent reduction and insisted on a \$1bn cash payment to reduce more than \$8bn in interest arrears. Mr Cavallo had offered no cash payment. The banks also demanded higher interest rates and shorter maturities on discount bonds Argentina will issue to replace debt certificates.

Besides wanting to make as few concessions as possible, bankers want to avoid pre-

dents which Brazil, the developing world's largest debtor, would exploit.

Mr Cavallo said last month when debt talks began that he wanted an agreement as quickly as possible. However, he has been criticised for not demanding greater concessions and for weakening his bargaining position by aiming for a rapid settlement.

He hopes that operation of a Brady plan - named after Mr James Brady, US treasury secretary - will increase capital flows to finance a deteriorating balance of payments.



Cavallo, right, seeks quick deal with banks

Twin banknotes embarrass mint

ARGENTINA is investigating claims that its National Mint has been forging banknotes, writes John Barham.

Last July, two authentic banknotes appeared with identical serial numbers and worth \$50 each. Alarm grew when a pair of smaller denomination notes surfaced. It soon emerged that the duplicates were coming from the mint, although how they leaked into the economy was unclear.

The central bank has no idea how many duplicates are in circulation but strenuously denies massive printing of fakes. Argentina has about 1.1bn banknotes in circulation, worth \$6.1bn (£3.4bn), so the probability of detecting duplicates is tiny.

Officials claim the affair has been blown out of proportion by a press baying for scandals. But the government ombudsman said yesterday he had reopened an inquiry begun in July. A letter written in

August to the mint by Mr Roque Fernández, central bank president, and leaked at the weekend, indicated high-level concern.

Mr Fernández rejected the explanation by Mr Armando Gostanian, head of the mint, that the twin banknotes were produced by faulty printing equipment. The central bank now believes the extra notes were replacements for notes with small printing errors that should have been destroyed.

Venezuela reform agenda is long – but time is short

Stephen Fidler examines the problems laid bare by the abortive coup against Pérez

A N ABORTIVE coup two weeks ago has laid bare many of the problems facing Venezuelan society but was not a direct result of the government's economic reform programme, according to politicians, economists and diplomats in Caracas.

A series of interviews suggested the need for reform in the armed forces, the electoral and political system and improved provision of public goods such as education and health. There was doubt about the capacity of the government of President Carlos Andrés Pérez to address all these issues.

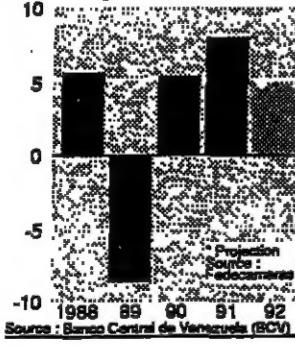
The president said in an interview that the coup of February 4 was being planned before he took office three years ago. This version of events, supported by others close to the armed forces, would rule out his economic reform programme as the direct cause of the coup. However, the coup leaders appear to have been influenced in their timing by the belief that support for the government among the population had reached a low ebb.

This perceived lack of support – senior figures in the president's own Democratic Action (AD) party say their polls suggest it is concentrated in the middle classes rather than among the poor – amplified the dangers presented by the coup attempt.

However, Mr Pérez's assertion in the interview that there was little support for the coup among the armed forces is questioned by some individuals

Venezuela

Real GDP growth (%)



close to the army.

According to one of them, up to a quarter of the army's 40,000 officers and men may have backed the coup, and as much of 80 per cent of its firepower. That the coup failed was a consequence of ineptitude in its planning and the rebels' failure to secure their first objective of capturing or killing the president. The coup leaders had not gained support in the air force or in the streets and did not, as in the coup's plan, seize television and radio stations, a lapse that allowed the president to make a broadcast to the country.

The origins of the coup lay with a group of soldiers who passed through the Venezuelan military academy in 1974 and 1975. The rebel's ideology appears, to a European eye, an anachronistic farce of idealism and Latin military machismo. Their leader, Lt Col Hugo Chávez Frías, had charismatic qualities which appealed to young officers, an increasingly disgruntled group whose standard of living had declined dramatically under the last two governments.

According to Gen Ítalo del Valle Allegro, a former defence minister and head of the armed forces, Venezuela's military has tended to draw its personnel from all of Venezuelan society. A military caste, such as in Argentina, Ecuador, Peru and even Colombia, doesn't exist in Venezuela.

The military's support for the democratic order appears, partly for this reason, to have been taken for granted and the army, in common with other institutions of state in Venezuela, left to decline.

Salaries are extraordinarily low. A general receives 70,000 bolívares (\$1,100) a month, now being increased by 30 per cent, a figure that will do little but keep pace with last year's inflation. The perception among some lower-ranking

Milken lawsuits deal proposed

By Nikki Tait in New York

MR MICHAEL MILKEN, the former junk bond king, will pay an additional \$500m (£275.2m) into a fund to compensate the victims of his securities frauds under a proposed online settlement of civil lawsuits stemming from the collapse of the Drexel Burnham Lambert investment bank.

Mr Milken – who built up the high yield bond department at Drexel – has already put \$400m into the fund.

Other officials of Drexel, which filed for bankruptcy protection in February 1990, would contribute \$300m in aggregate

under the proposed deal. Drexel's insurers would reportedly add another \$100m.

Mr Milken faces suits from small investors as well as the Federal Deposit Insurance Corporation acting on behalf of savings and loan organisations which were big Drexel clients.

There has been much recent speculation that he would try to settle the civil actions.

The FDIC, which oversees the banking and thrift industries in the US, yesterday declined to say whether it was satisfied with the proposed settlement package.

Yesterday, Mr Milken's spo-

kesmen – along with the FDIC – pointed to a "good" order issued by Judge Milton Pollack, overseeing the Drexel bankruptcy, and declined to comment.

There has been considerable pressure from Judge Pollack to reach settlements in the wave of litigation which followed Drexel's collapse, and thus to avoid courtroom battles which could drag on for years. His urging had already prompted a settlement in the Drexel bankruptcy proceedings, with securities litigants and traditional creditors agreeing to a settlement package.

Yesterday, Mr Milken's spo-

FIRST IN PRIMARY RELATIONSHIPS WITH U.S. CORPORATIONS.

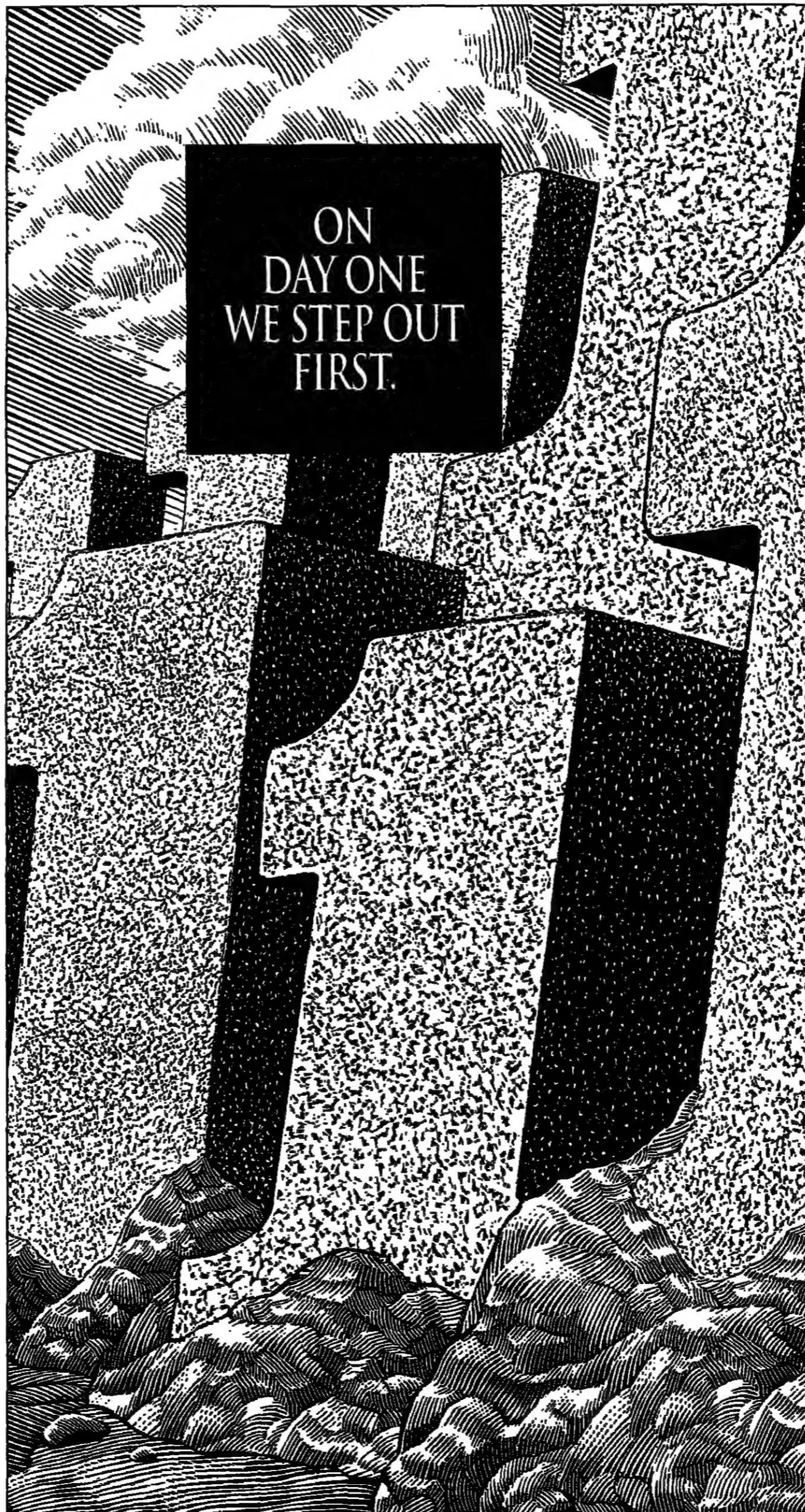
FIRST IN LOAN SYNDICATION WORLDWIDE.

FIRST IN INTERBANK FOREIGN EXCHANGE.

FIRST IN ENERGY BANKING.

FIRST IN REORGANIZATION FINANCE.

FIRST IN TREASURY MANAGEMENT SYSTEMS.



WORLD TRADE NEWS

Western capital to help uplift Lenin's home town

Maker of the world's largest transport aircraft is set for a revolutionary venture, writes Leyla Boulton

LENIN'S home town is the site of a bold attempt to marry the pride of former Soviet communist industry with western capital.

Although the town of Ulyanovsk itself is stubbornly clinging to the name it received in honour of the revolutionary who started life as Vladimir Ulyanov, its huge aviation plant has turned itself into a joint-stock company, able to sell shares to outside investors.

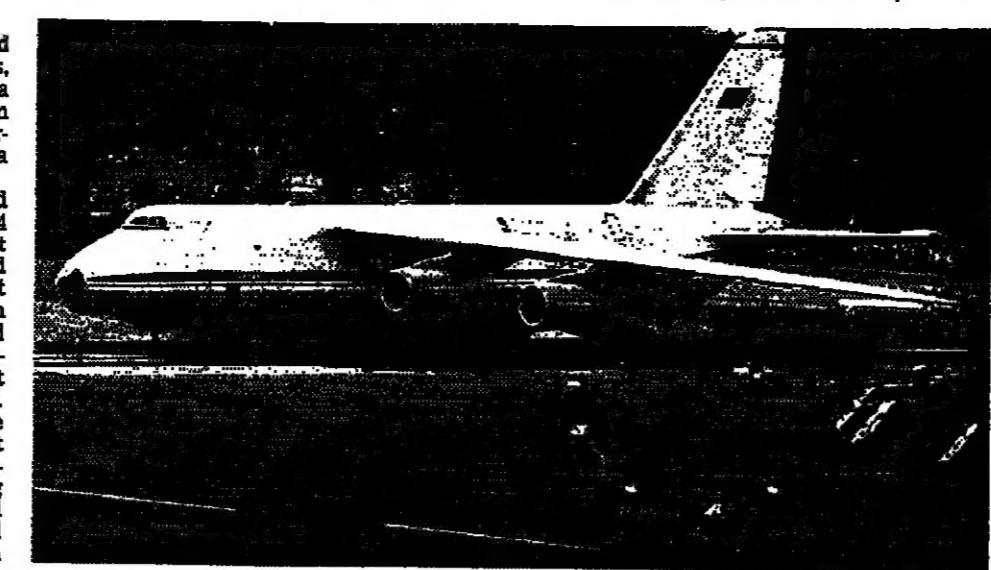
In its pursuit of foreign capital, the maker of the Antonov-124, the largest transport aircraft in the world, has even given itself a western-sounding name, Aviastar.

And it plans soon to sign a deal with Robert Fleming, the UK investment management company, to produce a medium-range passenger aircraft, the Tupolev 204, upgraded with Rolls-Royce engines and western avionics.

"We do not know the intricacies of market economies," admits Mr Viktor Mikhalov, the plant's general manager, whose taciturn appearance conceals a tough entrepreneur. But he is confident that "with western capital, as well as your know-how in sales and marketing, we can produce a plane that is not only far cheaper but which can compete in all other respects with any western

But under the combined effect of market reforms and government bankruptcy, the plant is increasingly having to fend for itself. The state has cut off all funds and investment, leaving unfinished key parts of the plant such as the paint shop. Military orders which used to account for most of the plant's business have shrunk to almost nil, and the government still owes money for past deliveries of aircraft.

Moscow has also landed the plant's management with



The Antonov-124: its builders hope to stay in business with western support

responsibility for the livelihood of 160,000 people - workers and their dependants who live and work on this 6,500-hectare site, including the street cleaners, doctors and teachers who work in the township built specially for the factory. This means that two-thirds of Mr Mikhalov's revenues are gobbed up by social spending.

Apart from this, Mr Mikhalov's biggest worry is the high prices charged by monopoly producers and the difficulties

of maintaining traditional contracts with suppliers.

"You can't have democracy without discipline," he says, echoing the deep dissatisfaction of many Soviet managers with the economic effects of the Soviet system's collapse. Although his production has not been affected for the first quarter of this year, he warns that a failure by republics to keep up previous deliveries to each other's plants will spell disaster.

Mr George Horton, the tireless American who heads Fleming's Russian investment fund, says it is too early to tell how much foreign capital would be required for the Tu-204 project because it is not yet clear how many aircraft will be produced. Although a prototype could be ready for the Farnborough air show in September, it will take at least three years to get the aircraft certified in the west. Mr Mikhalov says it would

cost \$1bn to modernise the plant to his satisfaction - for instance to expand production of the Antonov-124, and turn it into an 800-seat passenger aircraft. His figure would presumably include building flats for all his workers.

But he knows he will have to content himself with far less.

Like Fiat in its talks with the Russian carmaker Avtovaz, Robert Fleming wants to insulate its investment by creating a separate company for the joint project, rather than to buy directly into Aviastar. This is because Aviastar itself, like other big companies such as Kamaz, the truck maker, carries a heavy burden of non-productive assets, such as schools and housing, which as Kamaz found through bitter experience when offering shares last year, are of no attraction to western investors.

Given the political instability and the difficulties of investing in Russia, such a marriage does not promise to be easy to start with. But both the western and Russian partners say they are looking for a long-term relationship.

"At the end of the day you have faith that the Russian government will not do something to hurt foreign investors, because they need foreign capital," says Mr Horton. "If you don't believe that, you shouldn't be here."

policies different from its own.

Mr Andras Szepesi, Gatt panel chairman, argued that if countries wished Gatt to allow trade sanctions in response to different environmental regulations, they should do so by amending Gatt rules or waiting Gatt obligations rather than distort the interpretation of existing rules permitting limited exceptions. This, he said, would enable Gatt members to limit the range of policy differences justifying trade sanctions and to devise safeguards to prevent abuse.

Mexico said it would support multilateral measures to reduce incidental dolphin kills in fishing nets. Mr Rufus Verca, US ambassador to Gatt, said the administration was seeking a solution to accommodate the interests of all those involved. But it could not overturn decisions of the US courts and at this point, the only way to change matters might be through legislation. The council will return to the issue in March.

Other issues discussed by the Gatt council included:

* The council agreed Romania's request for a working party to renegotiate its 1971 membership terms;

* The US was granted a waiver from Gatt's non-discrimination (most-favoured-nation) rule to extend preferential trading arrangements to Colombia, Bolivia, Ecuador and Peru;

* Canada agreed to the adoption of a disputes panel report upholding a US complaint on discrimination against beer imports by Canada's provincial liquor boards.

Gatt members set to oppose US on tuna import curb

By Frances Williams in Geneva

GATT members yesterday lined up to back endorsement of the controversial disputes panel ruling against US tuna imports.

The ruling was raised at the regular meeting of Gatt's governing council not by the complainant, Mexico, but by the EC. The EC has been directly affected by last month's US court ruling extending the ban on tuna imports from Mexico and Venezuela to re-exports of these imports by, among others, France, Italy and Spain. Some 20 countries are thought to be affected.

Rich and poor countries urged adoption of the panel report, completed last August. Under US pressure, Mexico had agreed not to take the case further. It has become a cause célèbre for environmental groups, mainly in the US, which claim Gatt rules prevent action to curb pollution or protect endangered species.

"At the end of the day you have faith that the Russian government will not do something to hurt foreign investors, because they need foreign capital," says Mr Horton. "If you don't believe that, you shouldn't be here."

Given the political instability and the difficulties of investing in Russia, such a marriage does not promise to be easy to start with. But both the western and Russian partners say they are looking for a long-term relationship.

"At the end of the day you have faith that the Russian government will not do something to hurt foreign investors, because they need foreign capital," says Mr Horton. "If you don't believe that, you shouldn't be here."

Trade negotiators push to complete Nafta draft

TRADE negotiators are this week pushing in secret sessions in Dallas to complete large sections of the deal of the North American Free Trade Agreement (Nafta). Deputy Prime Minister Paul Keating

Jontz (Democrat, Indiana), would remove the deadlines set out in the Nafta "fast-track" approval process.

Instead of the five-month procedure approved by Congress last year, members would have an unlimited amount of time to consider a Nafta. The Jontz bill will allow amendments to the Nafta pact in five areas: labour and environment standards, worker adjustment assistance, rules of origin and dispute resolution.

Broad support is expected because of the way the economy has recently deteriorated.

China 'will need foreign capital for Yangtze dam'

CHINA will need foreign capital and manufacturing expertise to go ahead with the Three Gorges project to control flooding in the middle reaches of the Yangtze River through construction of a huge dam. Simon Holberton reports from Hong Kong.

Zhao Chunshan, a ministry of water resources official, said China was "interested in securing foreign loans" to finance the multi-million-dollar project and leading foreign manufacturers to help make parts for the project, the English-language China Daily reported yesterday.

China would be willing to import technologies and materials to build the 680,000kW turbo-generators and the 500,000-volt transmission lines to carry electricity generated.

The dam would dwarf any in the US and exceed the capacity of Brazil's dam at Itaipu, the world's biggest.

A water level of 160 metres would produce a reservoir stretching 250 miles.

Hong Kong to call submarine tunnel tenders

THE Hong Kong government plans to call tenders for building and operating an estimated HK\$4bn (£285m) submarine tunnel linking Victoria Island to the Kowloon Peninsula, it said yesterday. Simon Holberton reports from Hong Kong.

The Western Harbour Crossing is one of the core projects of an infrastructure development which, by 1997, will see the opening of a new airport, a suspension bridge and associated roads. Many of the new developments will be built on reclaimed land.

The tender will be let on a "build, operate and transfer" arrangement. The successful bidder will be awarded a franchise to operate the tunnel for 30 years and to charge tolls, after which ownership will be transferred to Hong Kong's government.

Work on the tunnel is expected to begin by June 1993 and be ready for traffic by the middle of 1997. Hong Kong reverts to Chinese sovereignty on July 1, 1997.

NEWS IN BRIEF

Norwegians win DM300m Daimler fuel-system order

DYNO INDUSTRIER, the big Norwegian chemicals producer, has been awarded a DM300m (£104.5m) contract by Daimler-Benz to supply fuel tank systems to a new Mercedes model to be produced in 1993, it said yesterday. Karen Fossli reports from Oslo.

The contract is seen as a breakthrough for Norwegian vehicle parts makers. Awarded to Dyno's German-based subsidiary Dynoplast Elbtainer, it calls for the company to invest DM20m in new production equipment. Dynoplast expects to make 200,000 fuel systems a year for the new Mercedes.

• STATOIL has awarded Treasure Prospect, a wholly-owned subsidiary of Wilhelmsen, a contract valued at over Nkr500m (£285m) covering drilling and completion for 24 wells on the Loke, Sleipner East, Statfjord North and Statfjord East fields, Karen Fossli reports.

The contract includes an

option for possible additional work which, if exercised, could take its value up to Nkr840m, Wilhelmsen said.

Loke and Sleipner East are scheduled to come on stream October 1, 1993, with Statfjord North due to start in April 1994, and Statfjord East the following October.

Finnish paper deal

ENSO-Gutzeit, the Finnish paper and pulp group, intends to build a PM22m (525m) newsprint mill near Leipzig in eastern Germany, Robert Taylor reports from Stockholm. The group will produce 280,000 tonnes of newsprint a year, mainly from recycled fibre after production starts in summer 1994.

A letter of intent for the project has been signed with the economy ministry of Sachsen and the province of Eilenburg. Work on the mill should begin early next year.

When we built this office block we made provision for two extra wings.



**TRAfalgar House
CONSTRUCTION**

MITCHAM HOUSE • 681 MITCHAM ROAD • CROYDON • SURREY CR9 3AF
TELEPHONE 081 689 2266
TELEX 946511 CEMCRO G • FACSIMILE 081 665 5915



It is supported by a degree of understanding for clients' needs appreciated by wise folk everywhere.

We achieve this by putting together the right team with the right skills to meet any clients' requirements. Whatever the nature and size of the project and wherever in the world it is located.

All of this adds up to a package of resources, knowledge and technological support unrivalled in the construction industry.

When Trafalgar House Construction started work on a new office development for Brixton Estate plc at Horsham Business Park, there were some unusual sitting tenants on the site.

A family of Barn Owls. To re-house them the developer asked us to incorporate a special Barn Owl Tower into this design and construct project.

A typical example of how we are able to reconcile customer requirements, economic realities and environmental concerns.

No more perhaps than you would expect from Britain's largest construction business. But size alone is only part of the story. Of much greater significance is the tremendous breadth of

TRAfalgar House Technology • Cleveland Structural Engineering • CBE Middle East • Gammon Construction • Cementation Africa

UK NEWS

Labour councils happy playing the Tory game

Andrew Adonis on the response of left-wing leaders to City Challenge and their hopes for future change



Michael Heseltine pictured announcing urban aid

UK government pledges £750m in urban renewal

By Andrew Adonis

MR MICHAEL HESELTINE, UK environment secretary, took the election campaign to the opposition Labour Party's heartland yesterday, pledging £750m in urban renewal to 20 inner cities under the second phase of the government's City Challenge scheme.

All England's 57 urban priority areas - including the 11 successful in last year's pilot competition - are free to bid for the funds. Each "winner" will receive £27.5m, spread over five years from 1993-94.

The 57 cities - with average unemployment rates of more than 12.5 per cent - are concentrated in London, the north, the north-west and Yorkshire. Bids for funds must comprise a scheme by each local authority to improve a run-down area in partnership with local businesses, voluntary groups and community organisations.

The £750m is not new money. Like the £412m allocated in the first phase, it is "top-sliced" from the government's existing urban programmes. Funding for the two phases combined will take up about a fifth of the budget allocation for the four main urban programmes - with serious implications for councils' unsuccessful in the bidding.

A LMOST all the 57 urban areas eligible to compete for the £750m of City Challenge funding announced yesterday are under Labour control; for while the Tories run central government, Labour are entrenched in town and county halls throughout Britain.

Predictably the 57 councils joined Mr Bryan Gould, the national opposition Labour Party's spokesman, in denouncing the City Challenge competition as a "game show... pandering to the whims and prejudices of an egocentric environment secretary".

They will play the game all the same - with enthusiasm, in many cases. Manchester, for instance, won funding in last year's competition to renovate its shiny Hulme district. And while Mr Michael Stringer, leader of the city council, denies the bidding element in City Challenge, he declares himself "far from cynical" about the process involved in preparing the bids.

"It has brought together government, council, tenants, businesses, churches and voluntary bodies to help find a common solution to our urban problems," he says. "If Labour takes office, we need to keep that process: the contacts made are lasting."

It is a typical response. The

implications for councils' unsuccessful in the bidding.

"City Challenge is about

vision, quality, partnership

and expecting local authorities

to lead their communities,"

said Mr Heseltine.

David Blunkett, Labour's local government spokesman, said the government was "playing games" with inner cities. "Those authorities who lose will have wasted time and very scarce resources," he said.

Mr Jeremy Beecham, chair-

man of the Association of Met-

opolitan Authorities, con-

demned the principle of

bidding, but was "pleased"

all urban priority areas would be able to compete.

In addition to yesterday's

launch in London, ministers

plan "regional seminars" to

publicise City Challenge in the

weeks up to the election.

If in office, the government

intends to pick "winners" by

the end of July. If Labour

takes office, Mr Bryan Gould,

shadow environment secretary,

has pledged it will meet fund-

ing commitments, but there-

after integrate City Challenge

into a single urban programme

to be distributed on the basis

of need.



IF THE BOAT COMES IN: Newcastle looks forward to life after the Tories but still relished City Challenge

outraging socialism of the early 1980s is little in evidence among today's generation of Labour council chiefs. Leading personalities like Mr Stringer and Ms Margaret Hodge in Islington, once heroes of the "hard left", are pragmatists today. Others like Mr Jeremy Beecham in Newcastle, were Kinnockite "soft-left" from the start.

The old left/right divide is obsolete", says Mr Rod Hills, leader of York City Council. "Now, the division is genera-

tional between innovators and an old guard." If Labour win the election, much more besides City Challenge will turn on the respective influence of the two sides.

Both groups are largely united on five priorities: abolition

of county councils and the creation of single-tier all-purpose authorities; the return of the business rate to local coun-

councils; a general power of competence for councils to act - and spend - as they see fit; abolition

of compulsory competitive

tendering (CCT); and freeing of councils' accumulated capital receipts for them to spend on housing and other pro-

grammes.

"If they release part of our £30m in capital reserves, we

will start a house-building pro-

gramme the next day," says Ms

Janet Silet, leader of Norwich

council.

Mr Gould has warned coun-

cils that Labour would relax

spending constraints "progress-

ively". The rate of progress is

likely to cause tension.

Yet CCT highlights the new

divide. The old guard simply wants to be free of it and, like most of the local government trade unions, bankers for the *status quo ante*. By contrast, the innovators are keen to retain - and even extend - the cost centres, service plans and quality targets that have been part of the CCT process.

Targets and effective monitoring are crucial," says Manchester's Mr Stringer, who is pressing ahead with service plans for every council department in Manchester. "It's amazing that local authorities often don't even know how many they employ, let alone what they do.

Yet Mr Gould's reference to "our new Quality Commission to raise standards" met with stony silence at Blackpool. In Norwich, Ms Silet, who boasts "we're not part of the New Look Labour Party", is openly suspicious. "I don't know how it would work, and it has inherent dangers of centralisation. I would not even want to keep it as a reserve."

Among innovators, partner-

ship is the vague word. It underpins a growing commitment to community politics on the one hand, and regional and European government on the other. "When I go to Brussels", comments Mr Stringer, "I get a much friendlier reception than in Whitechapel these days."

On our first day in business the new Chemical is:

- + first in primary relationships with U.S. corporations,
- + first in loan syndication worldwide,
- + first in interbank foreign exchange,
- + first in energy banking,
- + first in reorganization finance,
- + first in treasury management systems.

Being first is a beginning for us, not an end. It lets us hit the ground running, a major financial force born of our merger with Manufacturers Hanover Corporation and backed by \$139 billion in assets and \$8.8 billion in shareholders' equity.

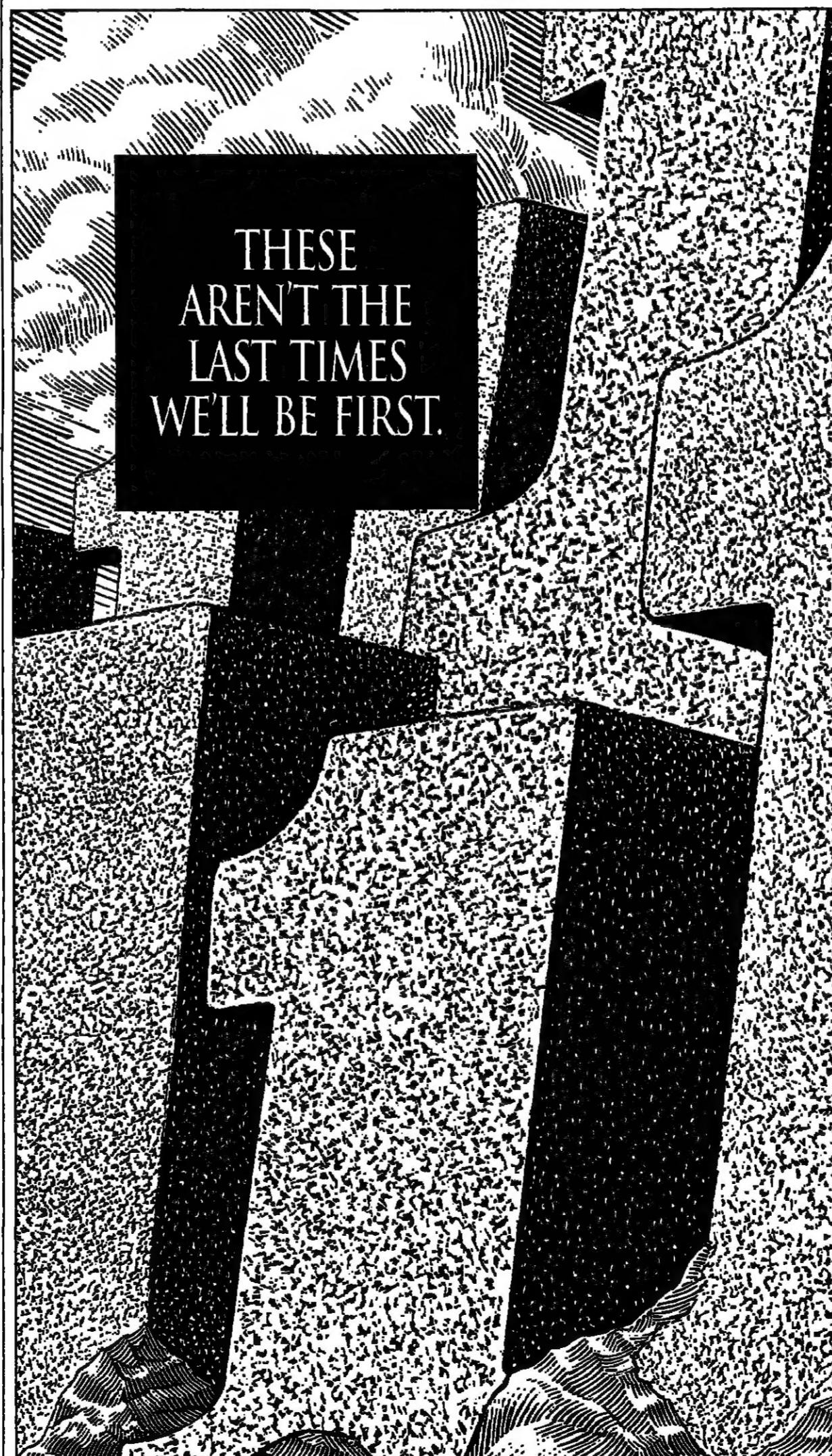
Yet we bring more than momentum and unassailable financial strength to our corporate relationships.

We offer the experience, intelligence and ingenuity our people use to solve financial problems. With this energizing spark, financial strength can realize its full potential, and momentum becomes unstoppable.

Companies in the U.S. and around the world look to us for authoritative advice and fresh, cost-efficient financial solutions as well as financial strength. In 24-hour, integrated markets borrowers and investors alike turn to us for streams of ideas as well as lines of capital.

And in everything we do, and with every company we serve, we seek to build long-term relationships of trust.

First, last and always.



CHEMICAL
The Global Bank

"The Immigration Time Bomb"

Financial Times Business Weekly

reports on the millions of Economic Refugees seeking a new life

in the European Community.

Dr. Gianni De Michelis, Italy's Foreign Minister,

Jacques Attali,

Henry Kissinger,

Susan Woodward of the Brookings Institution, and

Yeltsin Adviser

Galina Starovoitova,

discuss the Options for Policy Makers.

Wednesday 21.30 and Sunday 18.00 (CET) on Superchannel
Thursday 20.30, Sunday 12.30, 19.30 and 00.30 (GMT) on Sky News.

FTTV

Number One Southwark Bridge,
London SE1 9HL, England.
Telephone: (44-71) 873 3541

© 1992 Chemical Banking Corporation Member FTB

UK NEWS

Financial Law Panel to watch over legal 'grey areas'

Bank seeks new legal monitor

By Robert Rice, Legal Correspondent

A CITY panel to tackle problems in the UK's financial markets caused by grey areas in the law was called for yesterday by the Bank of England's Legal Risk Review Committee.

The committee, set up in April in response to widespread concern in the City after the Law Lords ruled that local authorities did not have the capacity to enter into interest rate swap transactions, also recommended that the doctrine of *ultra vires* should be abolished.

Under the doctrine, transactions which are outside the powers, or capacity, of one of the bodies involved are void.

Launching a consultation paper, the committee's chairman, Lord Alexander, chairman of National Westminster Bank, said a range of problems caused by legal uncertainty had been raised with the committee but he did not believe this represented an indictment of City practices.

The committee was aware



Lord Alexander: report

that there was no lack of challengers to London's pre-eminence as the financial centre of Europe.

But Lord Alexander added:

"We want to avoid drama on

the threat to London."

The committee's proposals were designed to consolidate London's advantages, he said.

The City contributed £4.4bn to the UK economy last year.

Half by value of trades through the London Stock Exchange was in overseas equities. The City was host to around 500 foreign banks and was the largest treasury centre in the European Community.

The committee proposes the establishment of two standing bodies - a Financial Law Standing Group and a Financial Law Liaison Group.

The panel, comprising market and legal practitioners, would act as a problem solving body.

In co-operation with existing market bodies, it would warn practitioners of potential problems, set out its views on good market practice and how the law applied in certain technical areas.

It would also act as the focal point for the consideration of the potential impact of EC legislation.

The committee hopes to present its final report to the Governor of the Bank of England by the end of June.

Some issues would require more than a City self-help solution, however, and so a secondary body comprising civil servants and market practitioners would also be set up.

The liaison group would discuss problems brought to it by the panel and decide whether government involvement was needed and if so how necessary changes in the law could be made.

The committee proposes that both bodies should be resourced and funded by the City.

Lord Alexander made it clear that it was never intended that the Bank's committee should find solutions to all of the problems drawn to its attention, such as the difficulties of applying the numerous regulatory statutes in the financial services and company law contexts to constantly changing markets.

A third consortium headed by Sir Ronald Munro, former chief scientist at the Ministry of Defence, and Mr Peter Horner of James Finlay Bank in Glasgow, pulled out of the controversial privatisation last night.

Under the complex rules of the BTG sell-off - which is almost certain to be the last privatisation before the General Election - only consortia with at least seven members can submit bids.

In addition there is still an outside chance of a bid from a group led by Strategy International, a London consultancy. The company refused to comment yesterday on its plans.

Potentially, anyone dealing with these institutions could find themselves unable to enforce a contract, if it is later found that the body concerned did not have the power to enter it in the first place.

Building societies, for instance, are allowed under section 23 of Building Societies Act to engage in any hedging transaction which designed to "reduce the risk of loss". For anyone dealing with a society, it is impossible to determine whether this requirement is being met.

According to the Alexander committee, restrictions on what particular institutions can do may be sensible, but it unfair to expect third parties to police these rules.

While the *ultra vires* rule causes the greatest anxiety in financial markets, comments to the committee indicated that the ability to not claim against each other came a close second. This is the power available to an institution, on

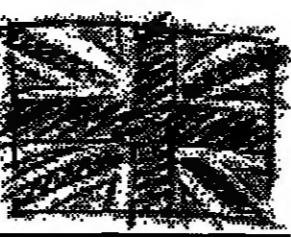
the insolvency of a market participant, to set off one claim against another and only to settle the net amount. A wide range of market participants, active in foreign exchange, bonds, derivatives, money markets and securities, brought up the issue, the committee says.

Netting and off-set can cause particular concern as they relate to the position of agents (such as brokers) or trustees, the committee found.

If these are the issues at the top of the market's list of concerns, many others are also included, such as the ability to enforce security interests over particular assets and the operation of the Financial Services Act.

These are some of the oldest chestnuts of the financial world, if not its "unexploded time bombs". Having turned them up, though, the Alexander committee has provided little hope that it can do better in solving the problems than other committees before it.

BRITAIN IN BRIEF



Two buyers likely to bid for BTG

Only two buyers for the British Technology Group, which is in the business of commercialising university research, are likely to be left in the field when the government's final deadline for bids expires tomorrow afternoon: a consortium led by BTG management and an Anglo-American car group headed by Mr John Ashworth, director of the London School of Economics.

A third consortium headed by Sir Ronald Munro, former chief scientist at the Ministry of Defence, and Mr Peter Horner of James Finlay Bank in Glasgow, pulled out of the controversial privatisation last night.

Under the complex rules of the BTG sell-off - which is almost certain to be the last privatisation before the General Election - only consortia with at least seven members can submit bids.

In addition there is still an outside chance of a bid from a group led by Strategy International, a London consultancy. The company refused to comment yesterday on its plans.

Lloyd's denies Bank talks

Lloyd's of London said yesterday that "centrally" it is not and has not been involved in any discussions with the Bank of England about possible financial assistance.

Lloyd's said that it had made no request for assistance from the Bank of England or from government ministers.

Senior figures from businesses operating on the Lloyd's insurance market are understood to have held preliminary discussions with government ministers and the Bank of England about measures to ease the liquidity problems of

many Lloyd's agents.

These measures could include commercial loans for hard-pressed Names.

The Lloyd's Corporation - the body which provides regulatory and back-up services to the market's 150 agents and 300 or so underwriting syndicates - is free from debt.

lower income tax in Scotland by up to 3p. A Harris opinion poll carried out for the party showed that 58 per cent of Scots would not be prepared to pay higher taxes.

News channel to Africa, Asia, Latin America and Japan.

Toyota unveils new UK model

Toyota, the leading Japanese car maker, has unveiled in Tokyo the large family car range, that is to be sold in the UK from the end of the year as part of its £200m investment in UK car and engine plants.

Production of the new generation Corolla, sold as the Corona in Japan, is scheduled to begin at Toyota's £70m car assembly plant at Burnaston, near Derby, in December.

Engine production at the company's £140m plant at Dowlais, north Wales, is planned to begin in August.

The car will be shown in Europe for the first time at the Geneva motor show next month. It will be launched in Europe in the spring with supplies coming initially from Japan and later from the UK plant.

Extra flights to Shannon

Ryanair,

the independent Irish carrier, is expanding its flights from London Stansted to Ireland with a new daily service to Shannon starting on April 10. The return of Ryanair on this route is expected to increase competition on the London-Shannon route currently operated by Aer Lingus, the Irish flag carrier.

Poll says Scots against tax

The Scottish Conservative party presented an opinion poll showing that a majority of Scots would not be prepared to pay higher taxes under a devolved Scottish assembly.

Under the opposition Labour Party's plan the Scottish assembly or parliament would have the power to increase or

Traffic centre to ease one of Britain's worst jams



of Transport, the centre has a closed-circuit TV system and computers to monitor traffic flow and control road markings. A joint venture between the Metropolitan police, the capital's roads and traffic minister,

London's old chestnuts still in the fire

Richard Waters and Robert Rice look at areas of concern in the City

THREE are "no specific unexploded time bombs" waiting to shake the legal foundations of London's financial markets, Lord Alexander, chairman of National Westminster Bank, said yesterday. But there are any number of less significant legal difficulties which hinder the efficient workings of the markets.

Lord Alexander's committee concluded that institutions which act as counterparties in the London markets need greater certainty in a number of important areas that they will not be tripped up by legal uncertainties. Creating a solid legal platform on which financial business can be conducted is essential to London's position as a financial centre, the committee concluded. In the course of its work, the committee had received around 100 submissions from people active in the market.

Top of the list of concerns of market participants is the that

highlighted by the local authority swaps debacle: are some bodies active in the markets dealing outside their particular legal or constitutional powers ("ultra vires"), making their contracts legally void? Following European legislation, and the 1986 Companies Act, companies in Britain are no longer affected by the "ultra vires" rule. However, a wide range of other institutions are: local authorities, building societies, industrial and provident societies and friendly societies, for instance. Then there are nationalised industries, some statutory water and harbour companies. Even some insurance companies and banks can be affected, depending on the statutes under which they were founded.

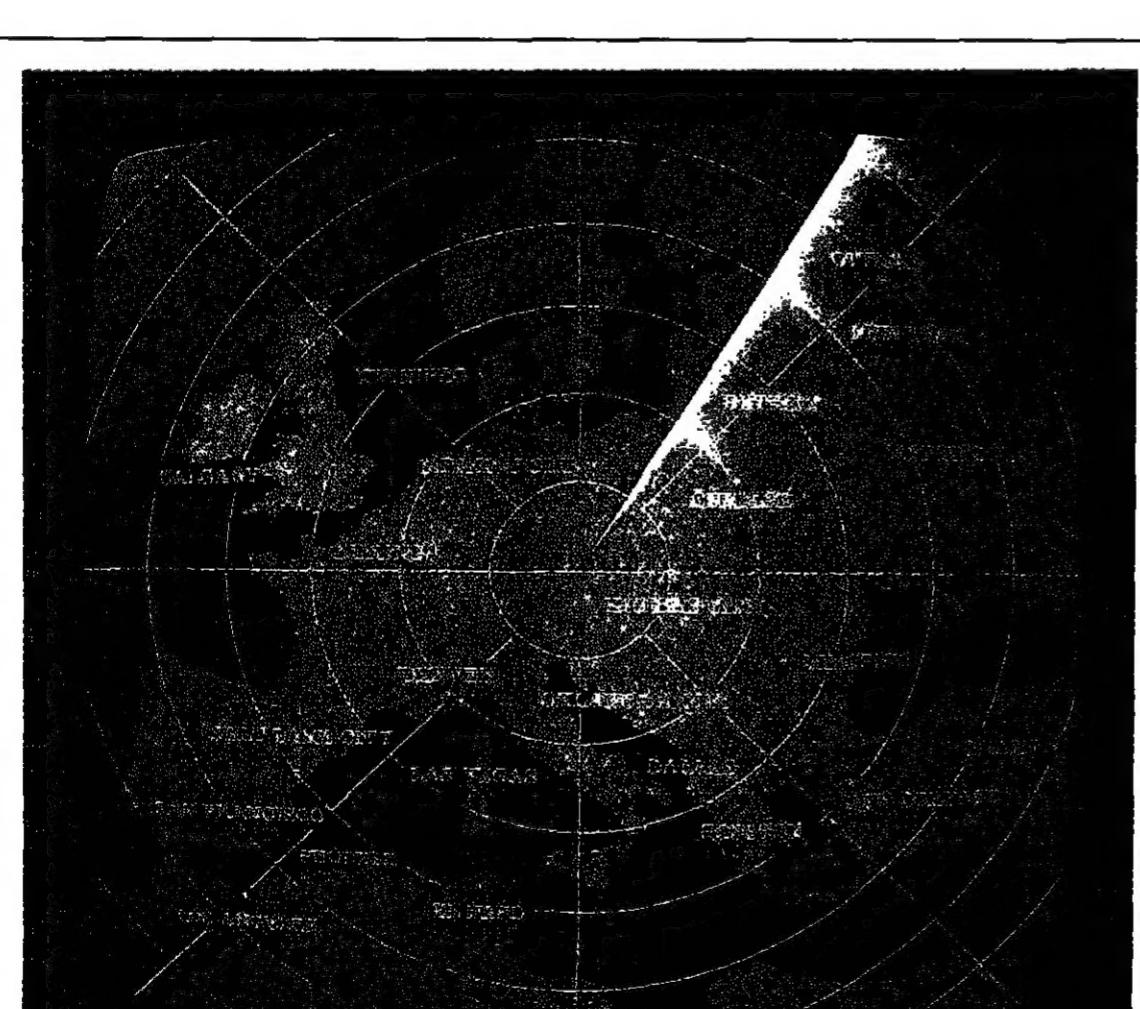
Pension funds could also find themselves acting outside their powers, if their trust deeds are not sufficiently broadly worded to allow them to engage in particular financial markets.

Potentially, anyone dealing with these institutions could find themselves unable to enforce a contract, if it is later found that the body concerned did not have the power to enter it in the first place. Building societies, for instance, are allowed under section 23 of Building Societies Act to engage in any hedging transaction which designed to "reduce the risk of loss". For anyone dealing with a society, it is impossible to determine whether this requirement is being met.

According to the Alexander committee, restrictions on what particular institutions can do may be sensible, but it unfair to expect third parties to police these rules.

If these are the issues at the top of the market's list of concerns, many others are also included, such as the ability to enforce security interests over particular assets and the operation of the Financial Services Act.

These are some of the oldest chestnuts of the financial world, if not its "unexploded time bombs". Having turned them up, though, the Alexander committee has provided little hope that it can do better in solving the problems than other committees before it.



YOUR LAND of OPPORTUNITY?

In the United States of America, businessmen don't bar an eyelid at the prospect of a day trip to Dallas, Denver and Detroit.

For them the local airfield is the company airfield. With a corporate jet they're in control of their schedule and the environment they're working in.

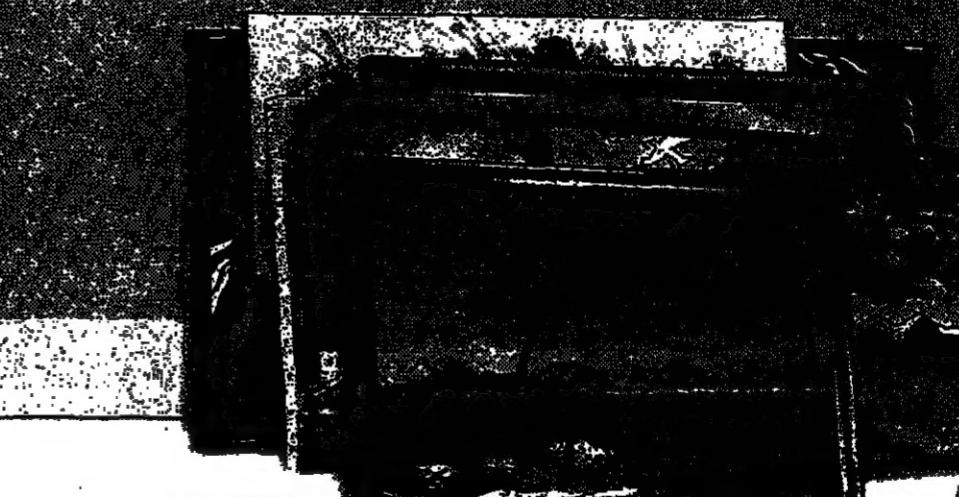
A corporate jet then, offers a degree of comfort, independence and confidentiality which is second to none. Perhaps that's why we've sold one jet every nine working days for the last 26 years.

To enable you to find out how your company can benefit from the United States of Europe, we've launched the BAe guide to Corporate Travel.

To receive your copy simply fax or send your business card. It could help you turn old frontiers into new opportunities.

BRITISH AEROSPACE
CORPORATE JETS

Corporate Aircraft Sales (HTF 2), British Aerospace (Commercial Aircraft) Ltd, Comer Way, Hatfield AL10 9TJ, England. Fax: (0707) 253807



FRED SMITH
Cap d'Antibes - 1988

The Art of Accumulation.

Famous paintings are prized by collectors not only as great works of art but also valuable investments.

Unfortunately most of us can only acquire works by relatively unknown artists - and we can't afford to wait around for 100 years to see if 'Fred Smith' will attain the status of Claude Monet.

For those who want to accumulate on a more dependable basis, it's well worthwhile to consider the advantages of a Fixed Term Deposit Account - offshore with Standard Chartered.

It will enable you to plan ahead, because you'll know exactly how much your investment will realise over a given period, as the rate is guaranteed.

To suit your convenience our Fixed Term Deposits are available from a choice of three locations, Jersey, Guernsey and the Isle of Man, each one offers the same high level of service and expertise.

For full details please complete and return the coupon below to:- Gordon Wyllie, Standard Chartered Bank (CI) Ltd, P.O. Box 89, Conway Street, St. Helier, Jersey JE4 8PY, Channel Islands.

Or Tel: (0534) 74001. Fax: (0534) 24890.

* This operates in conjunction with Sterling/US Dollar Call or Extra Value Deposit Accounts and enables clients to arrange the automatic movement of funds (free of charge) between accounts, when the fixed term matures, ideal for those who wish to save a proportion of salary on a monthly or quarterly basis.

For full details please complete and return the coupon below to:- Gordon Wyllie, Standard Chartered Bank (CI) Ltd, P.O. Box 89, Conway Street, St. Helier, Jersey JE4 8PY, Channel Islands.

Telephone: (0534) 74001. Fax: (0534) 24890.

Please send me, without obligation, full information about your Fixed Term Deposits.

Name _____

Address _____

Copies of the latest annual accounts available on request.

News channel to America
and Japan

Toyota unveils
new UK HQ

Toyota, the leading Japanese car maker, has unveiled its new headquarters in Toyota, that is to be part of the range of the UK from the year 1990 as part of its £40m investment in research and engine plants.

Production of the new Corona, sold in Japan, is to begin at Toyota's new assembly plant at Dagenham, near Derby, in December. Engine production at the company's £140m plant at Llanelli, North Wales, will begin in August.

The car will be shown Europe for the first time in March. It will be launched in the spring in Japan and later throughout Europe.

Extra flights to Shannon

British Airways has increased its services to Shannon, Ireland, with a new flight every two hours from 10.30am to 10pm. The route is now the most popular in the country.

Britain's worst

President Bush made news last month when he keeled over at a banquet in his honour in Japan. Contrary to popular belief, the president was probably suffering more from common jet-lag than from a rare intestinal virus.

Scientific evidence is mounting that long distance air travel can cause health problems, ranging from sleep disturbances to heart disorders.

Moreover, jet-lag can blunt negotiating skills, putting you at a disadvantage with well-rested locals. Surprise, surprise: some of that disadvantage is of your own doing.

Retailing

Finding partners for life

John Thornhill reports on how the John Lewis chain looks after staff

John Lewis Partnership, which runs 22 department stores and the Waitrose supermarket chain, can claim with more justification than most companies that it looks after its employees. But then it does have a clear incentive to do so: its 32,000 employees own the company.

Ever since 1923 when John Spedan Lewis put the family company's assets into a trust for the benefit of past, current and future employees, the partnership has adopted a different approach to running its business than its competitors.

Management is given great executive freedom but held strictly accountable by the employees (or partners as they are called); profits are shared equally among members; and great emphasis is placed on retention of staff, training and personal development.

As the inspirational Spedan Lewis put it: "The supreme purpose of the John Lewis Partnership is simply the happiness of its members".

At this point, cynics might reach for their profit and loss accounts, assuming that such high-sounding principles would come unstuck in the competitive world of British retailing. After all, JLP is competing head-to-head against some formidable efficient public companies, such as Marks and Spencer.



President Bush made news last month when he keeled over at a banquet in his honour in Japan. Contrary to popular belief, the president was probably suffering more from common jet-lag than from a rare intestinal virus.

Scientific evidence is mounting that long distance air travel can cause health problems, ranging from sleep disturbances to heart disorders. Moreover, jet-lag can blunt negotiating skills, putting you at a disadvantage with well-rested locals. Surprise, surprise: some of that disadvantage is of your own doing.

But in a new book on the partnership, two business academics argue that JLP's unique organisational structure and its awareness of the role of people has given it advantages in the marketplace. Being nice to people can be profitable.

The authors examine JLP's performance against a range of financial and economic data and conclude that it is directly comparable with that of the market leaders in both the food and non-food sectors. They suggest that JLP "ranks high or top in profitability and productivity, and shows no significant evidence of under-investment, over-borrowing or under-liquidity". They say JLP's experience casts doubt on the pessimistic theory that performance suffers when there is no capital market discipline and when employees are involved in decision-making.

In a rare interview, Peter Lewis, the company's present chairman and nephew of Spedan Lewis, naturally welcomed the book's conclusion but was coy about the suggestion that the partnership had much to teach other businesses.

In a lofty office overlooking the red-brick splendour of Westminster Cathedral, the 140-member central council (which acts as the forum and focus of public opinion within the Partnership). The central council also elects three Trust-

ees of the constitution who have the ultimate power to replace the chairman.

Managers are employed to manage the business rigorously but the company accepts that "those partners who may neither aspire to be a manager, nor possess the abilities to be one, are recognised as individuals with a valid contribution to make to the success of the business".

But accountability also works in less formal ways through the weekly staff Gazette, which carries extensive staff correspondence and detailed information about the partnership's trading performance. Any partner can write to the magazine with a complaint or a question which must be answered by the director of the relevant department.

This mechanism is often more likely to lead to change which affects the daily working conditions of most of the partners. So, for example, a letter-writing campaign in the staff Gazette led to the abolition of confidential staff assessments – they now have to be shown to the relevant partner.

Complaints can range from the serious to the bizarre. Last week, for example, "Sick of Eating Humble Hat," wrote to complain about hairs found in the canteen food.

Even a casual perusal of the

Gazette reveals that the Partnership is not the idyll of industrial harmony that it might seem. The letters pages are frequently crammed with grumbles about ill-considered decisions or incompetence – much as you would expect in any organisation.

But few companies are so open about exposing their faults and trading prospects or so publicly committed to trying to rectify their problems.

The company accepts that some employees find its culture too oppressive or sanctimonious and leave but it

points out that its rate of staff turnover is significantly less than that in comparable retail businesses.

JLP employs a far higher proportion of full-time staff than competitors and offers more attractive levels of pay because of its partnership bonus scheme. Last year JLP made post-tax profits of £78.7m, of which £22.1m was ploughed back into developing the business and most of the rest was distributed among the partners. In the 1978-88 period, the bonus averaged 20 per cent of annual pay.

The authors of the book suggest that employee-owned companies inevitably face tension balancing short-term rewards with long-term investment. The natural desire to maintain the bonus in a downturn, thereby undermining the company's competitiveness. Such issues loom large when partners face a cut in their take-home pay.

However, Lewis suggests that such tensions can be defused by adopting a consistent approach to bonus payments. Ultimately, he suggests, the partnership boils down to a

commitment to social justice. "It was certainly a driving force in Spedan's ideas. What struck him was the waste of talent and energy in a lot of people who, if only given a chance, would contribute to a common enterprise".

Times have changed since the 1930s, but Lewis believes those principles are still relevant today.

*** Business Performance in the Retail Sector: The Experience of the John Lewis Partnership. Keith Bradley and Simon Taylor. Clarendon Press, Oxford. £25**

you have previously exhausted your body with exercise), do a few arm lifts, using the arm rests, lift your weight (directly) off the seat several times. This will help to keep the blood circulating well while you sleep.

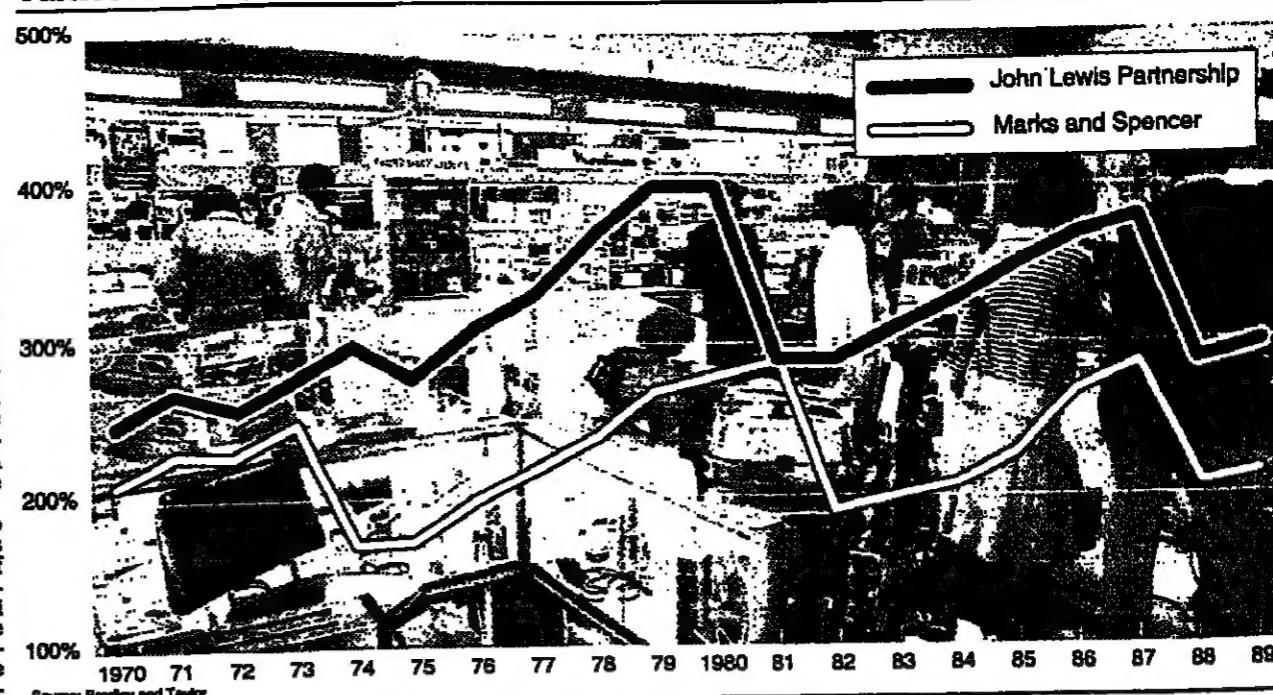
AFTER ARRIVING
Arrange your schedule – perhaps by arriving a day early – to include a work-out before meetings. This will provide vital organs, including the brain, with well-circulated blood, richly saturated in oxygen.

Lastly, take the initiative in dealing with jet-lag because if you are failing to plan, you are planning to fail.

The author is the medical director of the Inland Business Health course

MANAGEMENT

Turnover as a percentage of fixed assets



Source: Bradbury and Taylor

Time to step aboard a flight to the interior

Dr Michael McGannon explains how regular travellers can avoid the worst excesses of jet-lag

Dealing with jet-lag means understanding the nature of the problem.

Researchers at the Johnson Space Center in Texas have shown that the prolonged immobility forced on passengers causes the body to excrete excessive amounts of two essential substances: potassium and sodium.

This loss accounts for decreased muscle strength, weakened physical and mental reflexes, confusion, and quite possibly, disturbances in heart rhythm.

If you are going from Europe to the west coast of America where you will be going to bed about nine hours

earlier, get to sleep one hour earlier every day for 3 or 4 days before departing.

Though potentially disruptive to your pre-departure schedule, this can help you arrive adapted to the local time.

For two to three day trips, attempt to "tough it out" by sticking to the home schedule. That way you will not be adapting twice in as many days and you can arrive home hitting the ground running.

Johnson Space Center research suggests that physi-

cal exercise on the day of the flight helps release potassium into the blood, thus compensating losses resulting from flight immobility.

WHILE IN FLIGHT
To beat jet-lag, you must adhere to several "absolutes". Proper hydration is essential because the humidity of the aircraft's cabin air can be uncomfortably low.

Re-humidifying the air to more comfortable levels would require about 200ml litres of water an hour on a Boeing 747

for a 16-hour flight: that would be very expensive. Your strategy should be the same as the flight crew: re-humidify yourself.

You can kill two birds with one stone by drinking at least one glass of orange juice (potassium and water) every hour.

Resist the seductions of free alcohol and coffee, substances that will waken your system dry and cause potassium losses, setting you up for the worst case of jet lag possible.

Before dozing off (sooner if

VISA MAKES THE WORLD GO ROUND.

WORLDWIDE SPONSOR
1992 OLYMPIC GAMES



Visa is accepted for more transactions worldwide than any other card.

BUSINESS AND THE ENVIRONMENT

Time is up for plastics

About 6m items of large electronic equipment which have reached the end of their use will be disposed of this year in the UK by dumping them in landfill sites. They include computers, photocopiers, TVs, video recorders and microwave cookers.

But most of them contain unspotted wealth in the form of metals and plastics which can be recycled. The material produced in Britain alone is worth about £50m a year and if reused it would save industry £10m a year.

The problem has been examined by the Centre for Exploration of Science and Technology (Cest), an independent organisation funded by 19 companies and working with government and higher education.

Cest has established a technical advisory group to encourage industry to develop solutions to recycling these materials. It includes large companies like Dow and ICI and local authorities and the Department of the Environment and Trade and Industry.

The report says there is a market for recycled metal but the market for recycled plastics has only been for inferior applications.

Besides causing death and disease, dirty air damages buildings. Acid pollutants eat away the stonework of historic monuments and soot lays down a layer of dust and grime. But "attempts to quantify the economic damage are extremely difficult," says Fiona Weir, air pollution specialist with the environmental group Friends of the Earth.

Various methods to encourage recycling are examined in the report. These include levies on electronic equipment and plastics to finance recycling. National governments and the EC should co-operate with industry to implement a recycling policy, it says. If manufacturers fail to respond to environmental pressures they will lose out because consumers will buy products from companies with a better environmental message.

John Hunt

End-Of-Life Electronic Equipment, The Case for Recycling, £25 plus VAT. Cest, 5 Berners Rd, London N1 OPW.

Clive Cookson begins a series on urban air quality by examining the cost and cures of pollution

Blots on the cityscape



consequence of increasing road traffic. Vehicle exhausts emit carbon monoxide, oxides of nitrogen (NOx) and hydrocarbons. In sunshine the NOx and hydrocarbons are involved in photochemical reactions which form secondary pollutants, notably ozone.

In its proper place in the stratosphere, 20km above us, ozone is a vital shield against harmful ultraviolet radiation from the sun. But at surface level ozone is a corrosive and unwanted pollutant, irritating the lungs of anyone who breathes it.

Wintertime pollution in temperate regions has a different chemical composition from the dry photochemical smog of summer. Instead of ozone there may be an acid fog such as London suffered last December, when droplets of dilute nitric and sulphuric acid filled the air.

In Third World cities too, the cocktail of pollutants includes a large contribution from motor vehicles, many with

ancient ill-timed engines which would be banned in developed countries because of their filthy exhaust. At the same time urban factories — often with rudimentary emission controls — pour soot, sulphur dioxide, heavy metals and other substances into the air.

The severity of local pollution depends not only on the dirt discharged into the atmosphere but also on local geography and climate. Quiet anticyclonic weather, with little wind to blow in clean air, can cause trouble. The worst conditions come when there is an atmospheric "inversion": a rise in temperature with altitude instead of the normal fall. This keeps a lid on ground-level pollution and can allow very high levels of pollutants to build up.

Any long-term policy to tackle urban pollution has to focus on vehicle exhaust emissions. Possible measures fall into two categories: making each vehicle run more cleanly, and reducing the total volume of traffic.

The European Community is introducing emission standards similar to those in force in the US; they will require all new cars sold in the EC from the end of 1992 to be fitted with a three-way cat. But already

the US is moving to more stringent controls. California, home of the original Los Angeles smog, is leading the way with a schedule that calls for a progressive reduction in emissions over the next decade, and several states in the industrial north-east expect to follow suit.

Catalyst manufacturers are developing more efficient cats to meet the forthcoming standards, says Tim True, who is in charge of autocatalyst research at Johnson Matthey Technology Centre in the UK. Two important developments are in prospect: electrically heated cats that start working as soon as the engine starts, unlike current models which allow pollutants to pass through almost unimpeded for half a minute or so after a cold start; and new catalysts to work with fuel-efficient "lean burn" engines.

However, critics say US policy is not a good model for other countries, because it has relied too much on the car to reduce vehicle pollution and has done little to discourage driving. They point out that smog remains a serious problem in Los Angeles and several other American cities, after almost 20 years of increasingly stringent emission controls.

The lesson from the US is that you need not only good technical standards to reduce emissions but also a transport policy to control the number of cars on the road," says Fiona Weir of Friends of the Earth. The prospect for polluted European cities such as London is that air quality will improve temporarily during the 1990s as catalytic converters are introduced widely — and will then deteriorate again if the volume of traffic is allowed to go on increasing.

In the end, therefore, urban air quality may depend most of all on measures to discourage driving. These could include improved public transport, financial penalties on cars through road pricing schemes, and bans on non-essential traffic in city centres.

Everyone has a stake in improving urban air quality, even people in rural isolation hundreds of miles from the nearest city, because global pollution is an accumulation of local pollution. The air at the South Pole is never as polluted as Los Angeles on a clean day, but urban smog is beginning to leave smudges in the most pristine parts of the world.

The series will continue next week by focusing on the particular problems of Santiago.

Bridging the lifecycle gap

By Peter Knight

Companies are facing increasing demands to provide comprehensive information on the environmental impact of their products. But considerable sums could be wasted because the methods used to measure these impacts are so inadequate.

The data are generated by a method called lifecycle analysis (LCA), which involves a laborious collection of information on the environmental impact of the product — from its manufacture through to its disposal.

The Landbank Consultancy, an environmental advisory group, estimates that a simple inventory to compare the performance of, say, three types of packaging, would cost between £15,000 and £25,000. More complex analysis could cost £100,000.

Demands for lifecycle information are coming from two sources. First, the market for goods with a low environmental impact is growing as consumers, companies and governments call

for "green" products. Second, new regulations such as the proposed Eco labelling scheme, will force companies to conduct LCAs if they wish to earn labels.

Companies producing certain commodity products, such as glass and cardboard, could possibly spread the cost of LCAs by pooling their resources and financing the research through their trade associations.

But this opportunity is only available to a few because lifecycle information is becoming competitive. This is especially true for end-products, such as those stocked by retailers, but it affects components too.

Those companies which have products with low environmental impact and more important, the data to back up their claims, are well placed to win market share.

This is already happening in the chemicals industry because users are demanding the information to help them redesign their manufacturing processes.

Procter & Gamble, the household products company, has been one of the early pioneers of LCAs. It has used the information to reduce the impact of its products on the environment and to back up claims in its sales literature.

David Hammond, P&G's environment affairs manager, says the real value of the information lies in the way it is used. "The competitiveness of LCAs is related to the substantial ingenuity in reducing the environmental impact of the product," he says.

Martin Houldin of consultants KPMG says a distinction has to be drawn between the information produced by LCAs and the analysis done on the data. "There is no reason why a lot of the raw data can't be shared, but the value of the information produced by LCAs is in the judgments made about impact," he says.

It is the need for such judgments — and the lack of standard guidelines on how to make them — that is causing headaches for those involved.

A typical difficulty is how to weight a product's impact on the ozone layer against its contribution to global warming. There is no known way of looking at all the impacts and then making a judgment.

Now two initiatives are under way to try to create consensus on what would constitute universally acceptable terms of judgment.

The Confederation of British Industry is co-ordinating an effort to bring environmentalists, academics and business people together to develop independent evaluation techniques.

Separately, companies such as Shell, Unilever, BASF, P&G and Enichem are supporting the Society for the Promotion of Lifecycle Development. The society has been set up by industry to encourage debate on how to improve LCAs.

Unless these initiatives lead to a way of balancing environmental judgments, companies will be short changed when voting for LCAs.

Environmental debate about air pollution focuses increasingly on global issues, notably the greenhouse effect and ozone depletion. But for hundreds of millions of people living in the world's most densely populated cities, local air quality is a much more immediate problem.

Although dirty urban air undoubtedly causes widespread ill health — with lung damage the most important consequence — there is remarkably little epidemiological evidence to show the medical effects of pollution. Few episodes are so obviously tragic as the great London fog of December 1952, which is estimated to have killed 4,000 people through lung and heart disease. But some experts believe that air pollution is partly responsible for the rising incidence of asthma in the industrialised world.

North American studies have recently demonstrated a link between less severe air pollution and respiratory illness, says Stephen Holgate, professor of Immunopharmacology at Southampton University, who is chairing a UK government committee investigating the medical consequences of air pollution. There has been almost no research in Britain. From the scientific evidence, the Holgate committee is trying to disentangle the effect of different pollutants and then discover how they interact.

Besides causing death and disease, dirty air damages buildings. Acid pollutants eat away the stonework of historic monuments and soot lays down a layer of dust and grime. But "attempts to quantify the economic damage are extremely difficult," says Fiona Weir, air pollution specialist with the environmental group Friends of the Earth.

The report says there is a market for recycled metal but the market for recycled plastics has only been for inferior applications.

Besides causing death and disease, dirty air damages buildings. Acid pollutants eat away the stonework of historic monuments and soot lays down a layer of dust and grime. But "attempts to quantify the economic damage are extremely difficult," says Fiona Weir, air pollution specialist with the environmental group Friends of the Earth.

Any long-term policy to tackle urban pollution has to focus on vehicle exhaust emissions. Possible measures fall into two categories: making each vehicle run more cleanly, and reducing the total volume of traffic.

The European Community is introducing emission standards similar to those in force in the US; they will require all new cars sold in the EC from the end of 1992 to be fitted with a three-way cat. But already

the US is moving to more stringent controls. California, home of the original Los Angeles smog, is leading the way with a schedule that calls for a progressive reduction in emissions over the next decade, and several states in the industrial north-east expect to follow suit.

Catalyst manufacturers are developing more efficient cats to meet the forthcoming standards, says Tim True, who is in charge of autocatalyst research at Johnson Matthey Technology Centre in the UK. Two important developments are in prospect: electrically heated cats that start working as soon as the engine starts, unlike current models which allow pollutants to pass through almost unimpeded for half a minute or so after a cold start; and new catalysts to work with fuel-efficient "lean burn" engines.

However, critics say US policy is not a good model for other countries, because it has relied too much on the car to reduce vehicle pollution and has done little to discourage driving. They point out that smog remains a serious problem in Los Angeles and several other American cities, after almost 20 years of increasingly stringent emission controls.

The lesson from the US is that you need not only good technical standards to reduce emissions but also a transport policy to control the number of cars on the road," says Fiona Weir of Friends of the Earth. The prospect for polluted European cities such as London is that air quality will improve temporarily during the 1990s as catalytic converters are introduced widely — and will then deteriorate again if the volume of traffic is allowed to go on increasing.

In the end, therefore, urban air quality may depend most of all on measures to discourage driving. These could include improved public transport, financial penalties on cars through road pricing schemes, and bans on non-essential traffic in city centres.

Everyone has a stake in improving urban air quality, even people in rural isolation hundreds of miles from the nearest city, because global pollution is an accumulation of local pollution. The air at the South Pole is never as polluted as Los Angeles on a clean day, but urban smog is beginning to leave smudges in the most pristine parts of the world.

The series will continue next week by focusing on the particular problems of Santiago.

Today's pollution is largely a

ESTABLISHING A PRESENCE IN Japan

INVESTING FOR SALES AND SUCCESS

4 March, 1992 — London

This one-day conference will focus on both the strategic and practical aspects of investing for sales and success in Japan.

Topics to be discussed:

- Japan's Policy towards Foreign Investment and Financial Incentives for the Overseas Investor
- Establishing a Sales Office
- Setting Up a Greenfield Manufacturing Operation
- Developing Niche Retailing
- Acquiring a Japanese Company
- Joint Ventures
- Recruiting Personnel

Speakers include:
The Rt Hon Peter Lilley MP
Secretary of State for Trade and Industry

Mr Richard V Giordano KBE
Chairman
The BOC Group plc

Dr Peter M Williams CBE
Chairman and Chief Executive
Oxford Instruments plc

Sir David Scholey CBE
Chairman
SG Warburg Group plc

ESTABLISHING A PRESENCE IN Japan

- Please send me Conference details
- Please send me Exhibition details

FT FINANCIAL TIMES CONFERENCES

FT
FINANCIAL TIMES CONFERENCES

Financial Responsibility

HNC MORTGAGE NOTES 4 PLC

£150,000,000

Class A
and

£9,000,000

Class B

Mortgage Backed Floating Rate Notes due July 2021

Notice is hereby given that for the

Interest Period from February 17,

1992 to May 15, 1992, the Class A Notes and Class B Notes will

carry interest rates of 10.55%

and 11.275%, respectively. The

Interest payable on the

Interest Period, May 15, 1992

for the Class A Notes will be

£2,557.81 and for the Class B Notes

will be £2,710.93 per

£100,000 nominal amount.

By The Chase Manhattan Bank, N.Y.

London, Agent Bank

February 10, 1992

Notice is hereby given that for the

Interest Period from February 17,

1992 to May 15, 1992, the Class A Notes and Class B Notes will

carry interest rates of 10.55%

and 11.275%, respectively. The

Interest payable on the

Interest Period, May 15, 1992

for the Class A Notes will be

£2,557.81 and for the Class B Notes

will be £2,710.93 per

£100,000 nominal amount.

By The Chase Manhattan Bank, N.Y.

London, Agent Bank

February 10, 1992

Notice is hereby given that for the

Interest Period from February 17,

1992 to May 15, 1992, the Class A Notes and Class B Notes will

carry interest rates of 10.55%

and 11.275%, respectively. The

Interest payable on the

Interest Period, May 15, 1992

for the Class A Notes will be

£2,557.81 and

S set
S on
surf

ARTS

TELEVISION

Sport of a sort - but it may not sound like cricket

After England's 31-13 victory over France in the Five Nations contest on Saturday, Bernard Lapasset, president of the French Rugby Federation, declared that "British teams have a certain conception of the game, and referees with certain ways of interpreting the rules. There is clearly a large gap between our conception of the game of rugby and that of the British... they are not interested in the game being spectacular or attractive." Millions of Britons recognise that as French grapes of the sourest sort, and hypocrisy of the highest order, because we had seen Grégoire Lascube stamp on Martin Bayfield's face.

Indeed, the Dunkley video archive, like many others no doubt, now contains a record of that bit of viciousness which led to Lascube being sent off, because we were taping the match for the only member of the household who was not present. She was actually at Parc des Princes watching from the stands, but naturally asked us to record the match so that she could see what had really happened. The mysterious Lascube clearly had no idea he repeatedly kicked Bayfield's head, not only that there was nothing between him and the touch judge, Owen Doyle, who alerted the estimable referee, Stephen Hillatt, but that there happened to be a television camera with a vantage point very similar

to Doyle's. Consequently millions of us saw what happened, and then saw it replayed again and again in the following hours as it was discussed by studio commentators. (What has happened, incidentally, to the little "R" in the corner of the screen which used to tell you that you were watching instant replay? These days you never know whether they are carrying on with the game or showing a replay from a different angle.)

The amount of sport now being delivered to British sitting rooms via television is unprecedented. This is particularly noticeable, of course, for those with satellite dishes since there are three entire channels dedicated to sport: Eurosport, running 24 hours a day; Screensport, which provides 18 hours a day during the week and 24 hours at weekends; and Sky Sports which is on screen for about 20 hours virtually every day. True, most viewers still have no dish, but even they can find more sport than ever before, delivered by the four terrestrial channels. The BBC alone in the next couple of months will be showing, in addition to its routine sports programmes, the rest of the Five Nations championship, the fifth and sixth rounds of the FA Cup, European Indoor Athletics Championships, the World Figure Skating Championships, the Grand National, the Boat Race, the start of a new season of grand prix motor racing, the US Masters,

the women's hockey Cup Final, and the

competition in Val d'Isère as "A big tall racer", his emphasis implying that most of the competitors were big short men. But that is not such a terrible price to have to pay. Other changes, however, are not welcome. Having originally brought us such startlingly beautiful pictures of the English countryside from race meetings as Saturday's at Cheltenham, which would otherwise have looked like a sequence of animated oil paintings by Stubbs, television has ruined the effect by renting space to advertisers who install huge, garish hoardings beside the course.

A similar phenomenon now occurs in athletics and skiing. Kit manufacturers pay top competitors huge sums to wear their goods but cameras do not normally dwell on the feet, so the moment the winner crosses the line he tears off his shoes or skis and holds them up beside his face so that any picture of his winning smile is, willy nilly, also an international advertisement. It is no exaggeration to say that in the last few days we have spent longer looking at the striking (and doubtless copyright) design on the skis of 16-year-old Toni Nieminen, the flying Finn, than we have looking at him ski-jumping. Even one of those rare sports which has actually maintained its amateur status is treated by the BBC as if it were a professional sport, with the result that they treat Radio 1's "seeding" as later which is, of course, nonsense. David Vine described one

promotional packaging. Thus Saturday's rugby match was preceded by among other things, an assembly of Guscott/Carling clips which "sold" the two players to a disco beat.

But the most annoying thing is the slow and inexorable manner in which the packaging of sport for television eventually starts to overtake the sport itself. The classic example is American football, a game which, even though it is played before huge crowds, is organised entirely to suit American television with its frequent commercial breaks. The tedium of the game results almost entirely from this arrangement. Screensport is currently running a trailer which urges

"Get your skates on every Monday and get

up to date on the National Hockey League" meaning, of course, the North American ice hockey league. This is accompanied by pictures of a fight

between two players and a third sliding up

the ice and crashing into the goal post -

no skill, but much mayhem.

So what's new? ask the American and Australian broadcasters who are bringing us growing quantities of this sort of thing, sport has always meant spectacle. Now they are driving cricket down the same road. The way that cricket was once of the few truly beautiful experiences to be had from television to lie buried in a cool room during a hot summer, in front of a screen consisting of two-thirds blue and

white and one third green, and to spend the day following a Test match, used to be a civilised and civilising experience. Indeed it still is. But this coming Friday the Cricket World Cup begins on Sky Sports and we are warned that matches will be played under artificial light, the players will wear pastel, coloured "pyjamas", the sight screens will be black and the ball white, there will be a miniature camera built into the stumps, and microphones buried at the crease. The return to the pavilion of anyone who is out without scoring will be accompanied on the screen by Cholmondeley, the weeping cartoon duck.

That may be sport of a sort - television sport - and perhaps I shall find myself hooked on it, but it does not sound much like cricket. Those who scoff and declare that it is time for television to lead cricket out of the dark ages might pause for a moment and think about the way television led darts out of the dark ages. Cricket was not and is not in any sort of dark age, and television's spin doctors will not improve the game, they will merely improve television's ratings which is, anyway, their sole object.

And you do realise, don't you, that you ain't seen nothin' yet: on July 25, in the middle of the fourth Test, the 1992 Olympics open in Barcelona...

Christopher Dunkley

An artist who provokes a smile

Richard Newbury reviews Thomas Rowlandson in Richmond

Thomas Rowlandson, the regency caricaturist and watercolour painter, travelled extensively and sketched prolifically. A rapid and brilliant draughtsman, his drawings are a persuasive and amusing impression of his age, although their documentary value is often limited. Rowlandson was quite prepared to subordinate accuracy to his comic vision, or to the requirements of his compositions. Not surprisingly, therefore, his drawings are unreliable as topographical records. Luckily this has not deterred The Museum of Richmond from assembling a loan exhibition of 35 of his drawings illustrating Richmond and its environs.

Richmond was a fashionable resort in Rowlandson's time, and this was no doubt an attraction for an artist with one eye on a market for his work. However perfunctory Rowlandson's topography, he was certainly careful to ensure that his views of Ham House, Hampton Court, Mortlake, Kew and other spots along the river, were sufficiently accurate to be recognisable. He was also attracted to Richmond for its "rural" qualities, and this aspect of his work is perhaps less familiar than his caricatures of metropolitan manners and customs.

There is a mannered charm about Rowlandson's response to the countryside, although landscape is seldom the primary subject of his drawings. His representation of trees and foliage, usually highly stylised, nevertheless has a whimsical appeal. It is a pleasant surprise to find that the artist who - in the words of his companion Henry Angelo - "invariably evoked even the burlesque" can also evoke a lyrical mood. The drawing entitled "Richmond Park" is close in spirit to some of Gainsborough's landscape studies, and the scene of anglers beneath an arch of Richmond Bridge is an unexpected exercise in the sentimental sweetness of Francis Wheatley.

Although Rowlandson does sometimes show sensitivity for landscapes, his pen moves with greater alacrity and power when

drawing figures. His compositions are frequently focussed on a group of caricatured figures in the foreground; surrounding figures may be drawn "realistically", ingeniously lending a credibility to the caricatures.

Rowlandson's repertoire of caricature types may seem predictable, centring on leering yokels, dandified officers, foppish aesthetes, bloated peers and suchlike, but the figures themselves have a lifelike vitality thanks to the artist's brilliant gifts as a draughtsman. His eye for movement and posture, usually taken from life, accounts for the enduring success of his caricatures, no matter how bizarre they become.

The centrepiece of this exhibition is perhaps "The Star And Garter, Richmond Hill", a drawing which features the famous view of the Thames from the top of the hill. The horizontal format of the composition allows Rowlandson scope for a panorama of narrative incidents - a formula which Frith later used, and perhaps exhausted, in his representations of Victorian life. In the foreground a prosperous middle class family ostentatiously ignore a begging woman as they pass along the road.

This incident, clearly intended to be no more than amusing, is nevertheless portrayed entirely without pathos, and indicates Rowlandson's vast output, it is nonetheless representative of his genius as a caricaturist, his vision is superficial and complacent. Unlike Hogarth, whose comic spirit he inherited, Rowlandson does not emotionally engage with his subjects beyond indicating their comic potential.

Although this exhibition shows only a tiny fragment of Rowlandson's vast output, it is nonetheless representative of his range. His popularity is perhaps connected with his ability to persuade us that the regency period was indeed prosperous, socially untroubled and rollicking good fun; this, of course, cannot be entirely true - Rowlandson's métier was to provoke a smile rather than a thought.



"The Star and Garter, Richmond Hill" by Thomas Rowlandson (1756-1827) in the current exhibition at the Museum of Richmond

Collins and Johnson: two young British clarinet virtuosos

There are many thousands of people who go often to orchestral concerts, and sometimes to solo recitals by singers, pianists and even violinists, but would never think of going to hear a mere clarinet or oboe with piano. They are misguided. True, there are not many solo masterpieces in the repertoire of either instrument - an "adventurous" programme is almost inevitably an excursion into dusty material (however amiable and fluent) or avant-garde pieces (often grimly unfriendly); but there are quite a few master players, and when they strut their best stuff the result can be as rewarding as any Liederabend.

Thus Michael Collins' clarinet recital on Monday at the Queen Elizabeth Hall with the supererogatory bonus of Mikhail Pletnev as his virtuous accompanist. Though they drew a good house, amongst whom there were doubtless a hundred young clarinetists or more, it was sad to think how many more listeners would have been delighted if they'd found themselves there. Collins is one of the best players in the world, and his programme included about half of the first-rank music for his instrument with piano: Schumann's op. 73 *Fantasiestücke*, the Poulenec sonata, of the two op.

Although this exhibition shows only a tiny fragment of Rowlandson's vast output, it is nonetheless representative of his genius as a caricaturist, his vision is superficial and complacent. Unlike Hogarth, whose comic spirit he inherited, Rowlandson does not emotionally engage with his subjects beyond indicating their comic potential.

Although this exhibition shows only a tiny fragment of Rowlandson's vast output, it is nonetheless representative of his range. His popularity is perhaps connected with his ability to persuade us that the regency period was indeed prosperous, socially untroubled and rollicking good fun; this, of course, cannot be entirely true - Rowlandson's métier was to provoke a smile rather than a thought.

120 Brahms and the Debussy "Preludes" rendered in such vivid contrasts, nor so searchingly. In Brahms and Schumann they were coolly admirable, but slightly thin-blooded in effect; with piano lid half closed, Pletnev was too solicitous for his partner to allow the piano textures their full warmth.

After the interval the piano was flung open, and their exuberant Poulenec and Lutoslawski were followed by Weber's irresistibly glibby Grand Duo and an extravagant André Messager *morceau de concert* as encore. Hugely enjoyable, and twinkling with musical insights - ironic, sentimental, knowing. I should add that for Collins, Pletnev is a partner in a million: not only does he match his inflections to an ECO nicely, but somehow they even echo each other's timbres.

David Murray

In the Barbican Hall on Monday there was another brilliant young English clarinet virtuoso, Emma Johnson, keeping company with the English Chamber Orchestra under Sian Edwards, and playing the concerto she had herself commissioned from Michael Berkeley for first performance at the Huddersfield Festival last November. This very stri-

king piece, much more sinewy in idiom, tougher in subject matter and tauter in unfolding than we have come to expect from Berkeley's pen, concerns itself with the darker aspect of childhood, its terrors and enchantments - the composer is currently at work on a *Kipling* opera with such a theme, for which the concerto is apparently a study-piece.

It begins with a dry rattle on the timpani and a sort of stuttering on the clarinet. Both of these textural devices aptly press the ferocious struggles and sorties undertaken between soloist and chamber orchestra in the first half. The abrasive sound-world thus conjured up often drives the clarinet to hard, bright squeals in the top register; the drama is delivered in a language that is at once harshly tonal and vividly gestural - even if one fails to fathom the purpose of its every twist or turn, one can hardly miss the urgency of its expressive import. Towards the end a more peaceable, though not exactly easy, relationship is established between the various forces.

Miss Johnson attacked the concerto with authority, vigour, and grace, giving no quarter in battle, capable of sudden secretive lyri-

cism; it is a work she plainly relishes, and the ECO apparently do likewise. It formed part of an exceptionally rewarding programme: alongside Berkeley there were David Matthews, Bartók and a new piece, *The Light Fantastic*, by the English Satie, Howard Skempton, that afforded 15 minutes of delicate delight. In Skempton weaves perfectly shaped spiraling patterns all the more captivating for being couched in such modest terms.

Miss Edwards seemed to me not yet entirely in command of its gossamer textures; similarly, I felt that she had not yet sunk herself fully into the substance of Welli's Second Symphony, which closed the concert, and through which the ECO were encouraged to drive with excessive forthrightness. This great, crazily neglected work is a pure and noble descendant of the "classical" chamber-musical Mahler; it requires flexibility as well as forcefulness, and close characterisation of its bittersweet detail. Still, the overall impact of the symphony was undeniably powerful; and the conductor earned the passionate gratitude of at least one Wellian in the hall for reviving it all.

Max Loppert

of La Bohème, also Fri. Sun:

operetta pot-pourri. Mon: Theo Adam song recital (77867). Tomorrow in Beethovenhalle: Marc Soustrot conducts orchestral music by Faure, Richard Strauss and Saint-Saëns (77868).

CHICAGO

Orchestra Hall 19.30 Zubin Mehta conducts the Chicago Symphony Orchestra in Brahms' Third Symphony and Ravel's Daphnis et Chloé. Tomorrow: Mehta conducts world premiere of a new work by Lukas Foss, repeated Fri and Sat. Sun: Mitsuko Uchida plays Mozart with the St Paul Chamber Orchestra (435 6666).

COLOGNE

Philharmonie 20.00 Helmuth Rilling conducts the Stuttgart Bach Collegium in Cherubini's Mass in D minor. Tomorrow: Wind Soloists of the Berlin Philharmonic. Fri evening and Sun morning: baroque programme with the Cologne Chamber Orchestra. Sat: Kalman's operetta Die Faschingssie (2601).

COPENHAGEN

Royal Theatre 20.00 Two Bourboulnais ballets: The King's Volunteers on Amager staged by Anne Marie Vessel, and La Syphide staged by Henning Kronström, repeated on Fri. Tomorrow: La nozze di Figaro. Sat: Bourboulnais' A Folk Tale (3314 1002).

FRANKFURT

Alte Oper 19.30 Michael Gielen

conducts the Frankfurt Radio Symphony Orchestra and Mainz Bach Choir in music by Hanns Eisler, Luigi Nono and Beethoven, repeated tomorrow and Fri. Sun: Mendelssohn's oratorio St Paul (1340 400).

GENEVA

Grand Théâtre 20.00 John Nelson conducts Francesca Zambello's production of Benvenuto Cellini, with Chris Merritt in the title role. Final performances on Sat and next Tues (21231). Comédie 20.00 Botho Strauss' play *Trois Temps à La Chambe*, directed by Patrice Chéreau. Daily except Sun and Mon till Feb 27 (20501).

LEIPZIG

Gewandhaus 20.00 The King's Singers. Tomorrow and Fri: Petr Altrichter conducts the Prague Symphony Orchestra in music by Mozart, Sibelius and Suk. Sun: Katie Ronigerelli is soloist with the Leipzig Radio Symphony Orchestra (7132 252). Tomorrow in Opernhaus: Fiddler on the Roof. Sat: Carmen. Sun: Tristan und Isolde (7168 273).

LONDON

Covent Garden 19.30 Peter Wright's Royal Ballet production of Giselle, with Allynay Asymurotova. Tomorrow: ballet triple bill (071-240 1066). Coliseum 19.30 James Holmes conducts David Pountney's ENO production of Kurt Weill's Street Scene, with a cast including Janice Cairns and Lesley Garrett. Tomorrow: Xerxes (071-836 3161). Royal Festival Hall 19.30 David (3314 1002).

Atherton conducts the BBC Symphony Orchestra and Chorus in Stravinsky's Orpheus and Persephone. Tomorrow: Richard Hickox conducts the RPO (071-928 8800).

Queen Elizabeth Hall 19.45 Oliver von Dohnányi conducts the London Mozart Players in music by Falla, Gerhard and Arrigo, with Nicola Hall soloist in Rodrigo's Concierto de Aranjuez. Tomorrow: Emma Johnson plays Rossini (071-928 8800).

Barbican 19.45 Stanislaw Skrowaczewski conducts the Hallé Orchestra in Brahms' First Piano Concerto (soloist Peter Frank) and First Symphony. Fri: Pavel Kogan conducts the Moscow State Symphony Orchestra, at the start of a 12-concert UK tour (071-638 881).

NEW YORK

THEATRE

- Death and the Maiden: Glenn Close, Richard Dreyfuss and Gene Hackman star in this play by Chilean author Ariel Dorfman, focusing on a woman who was tortured 15 years ago, has since married and now plots revenge on her attacker. Directed by Mike Nichols. Now previewing, opens March 17 (Brooks Atkinson Theater, 258 West 47th St. 719 4099).
- Ascension Day: Michael Henry Brown's drama based on the 1831 Nat Turner slave revolt, with a cast led by Kevin N. Davis. A Working Theater production directed by Kenneth Richardson (Hudson Guild Theater, 441 West 26th St., 279 4200).
- Private Lives: Joan Collins and Simon Jones star in the 1930 Noel Coward comedy, directed by

by Arvin Brown. Now previewing, opens tomorrow (Broadhurst Theater, 225 West 44th St. 239 6200).

● And the World Goes 'Round: a musical entertainment celebrating 26 years of works by the composer John Kander and lyricist Fred Ebb, directed by Scott Ellis (Westside Theater, 407 West 42nd St. 307 4100).

● Tickerten answers inquiries and sells tickets for most shows on and off Broadway (246 0102).

PARIS

COMÉDIE FRANÇAISE 20.30 *Caligula*. Albert Camus' play about the intoxication and folly of power, in a new production marking the theatre debut of the veteran film director Youssef Chahine. Mon, Wed and Fri evenings, also Sun afternoons, till April 10 (015 0015). Théâtre des Bouffes du Nord 20.00 Ray Blas, one of Victor Hugo's masterworks, in a production featuring the father-son duo of Georges and Lambert Wilson. Daily except Sun and Mon till April 5 (78 2223).

● *Heberlot* 21.00 Old Times, Harold Pinter's play about power within relationships, with Carole Bouquet, Sami Frey and Christine Boisson. Daily except Mon till April 5 (78 2223).

Théâtre National 19.30 Heiner Müller's play *Germany Tod in Berlin*, directed by Philippe van Kessel. Daily till Sat (8835 4452).

STRASBOURG

FINANCIAL TIMES

NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Wednesday February 19 1992

The rewards of failure

FEW THINGS better illustrate the weakness of managerial accountability in the Anglo-Saxon economies than the haphazard way in which top executive pay is determined. Disclosure is minimal; pay levels are usually set by other top executives with a vested interest in high settlements; and there appears to be little obvious relationship between risk and reward. Small wonder that there is widespread suspicion on both sides of the Atlantic that top executives have been feathering their own nests. Nor is it purely a matter of envy.

There is no correlation, internationally, between high executive rewards and corporate success. Indeed, there may be a negative correlation. Such evidence as there is suggests that German and Japanese executives require less chance to deliver economic miracles. In the United States, where pay packages constitute a more important part of society's scoring system, managerial rewards are sky-high by international standards. Yet the country is suffering from a long-term crisis of productivity, of which the troubles of the motor industry in Detroit are just one symptom.

In Britain, meantime, the relationship between high incentives and performance is also perverse. Several of the entrepreneurial high flyers of the 1980s found themselves in the headlines first as the recipients of spectacularly high executive pay, then as victims of the sack or of receivership.

There is something odd, too, about the way in which British directors' pay has outstripped average earnings by a wide margin since 1979 when top marginal rates of tax plunged from 88 per cent to 40 per cent.

Stimplistic view

That does not sound like any discernible approximation to a market system of pay determination. Nor does it reflect a very subtle view of human motivation. Nor does it reflect a very subtle view of the firm. The more eye-catching pay packages in Britain and the US point to a one-dimensional view of managerial capitalism in which the top executive is a mighty superman in charge of a bloodless machine; because he alone is perceived to hold

the key to growth, he requires large rewards.

Yet there are few such supermen in the real world of industry and commerce, where competitive advantage increasingly derives from the effective management of wider human capital. That, in turn, calls for teamwork and a shared sense of common goals, which are unlikely to be fostered by excessive rewards in the boardroom. A better way of arriving at top pay is badly needed. And that means something more than cosy remuneration committees of non-executive directors for all quoted companies.

Greater disclosure

Britain's Cadbury committee on corporate governance would do well to ponder the US Securities and Exchange Commission's latest initiative to require greater disclosure, together with a shareholders' vote on management pay proposals. More disclosure is undoubtedly needed, and a vote on remuneration at British annual general meetings would have the effect of concentrating management's mind, even if institutional shareholders used the additional information chiefly to crack the whip behind the scenes.

The institutions on either side of the Atlantic should also use their influence to steer management away from spurious performance measures in the direction of simpler reward systems. There is no wholly satisfactory measure of performance and in big industry today success frequently has as much or more to do with collective achievement than with the efforts of individual directors. Performance targets can provide an incentive to juggle with accounting or engage in unproductive takeover activity. And share incentive schemes should be just that: incentives, not rewards that entail no risks.

The most damning aspect of the present system in the Anglo-Saxon world is the consistency with which managerial failure appears to be so handsomely rewarded. It would be foolish to expect top management to find its own remedy without constructive prompting from outside.

The UN and Yugoslavia

BARRING any last-minute hitch – such as a breakdown of the ceasefire in Croatia – the United Nations is about to embark on its largest peace-keeping mission in 30 years, by deploying more than 14,000 troops in Yugoslavia.

The risks are considerable. The UN is venturing into uncertain territory. Its goals are seen differently by Croats and Serbs, the two main protagonists, in a conflict that has already left at least 5,000 people dead, and more than half a million homeless. But its task is vital nonetheless: preserving the peace in order to give political negotiations over Yugoslavia's future a chance.

Supported by the European Community, the UN was invited by Croatia, Serbia and the federal army to implement the latest ceasefire. It has already set out a detailed programme of where, how and for what duration its troops should be deployed throughout Croatia. It has also clearly spelt out its objectives: it will seek to persuade the army to withdraw from Croatia, and all sides to disarm. More importantly, as stressed in its mandate, the UN will "not pre-judge the outcome of political negotiations for a comprehensive settlement of the Yugoslav crisis". Finding that remains the task of the EC-sponsored peace conference on Yugoslavia.

The UN is treading a fine line between the hopes and fears of the two republics. Croatia has reservations about its plan. President Franjo Tuđman fears that the presence of the UN troops will cement the gains made by Serbia and the army which control nearly a third of Croatian territory. He wants the UN to facilitate the federal army's rapid withdrawal from the republic, help restore Croatian jurisdiction throughout its territory, and then go home within a year.

Balkan conflagration

Serbia, in contrast, believes that the longer the UN stays, the more likely it is that parts of Croatia will be eventually annexed by Serbia. The sceptics, for their part, argue that the UN is about to become embroiled in a Balkan conflagration from which no easy or honourable retreat will be possible.

Over the past year City observers have watched in horror as the Lloyd's insurance market and its participants have apparently driven towards an unavoidable brick wall. There has been much wagging of the steering wheel, a great deal of tooting of the horn and some hard work on the brake-pedal – but the relentless skid has continued.

This may be a somewhat apocalyptic view, but events over the past week – in which Lloyd's has been pilloried in the House of Commons and the press – have done little to dispel the impression.

In reality, the crunch has two components: financial and legal. Multi-million-pound insurance claims from asbestos and pollution-related claims in the United States, and from a string of catastrophes between 1989 and 1990, have driven hundreds of the market's Names to seek legal redress for their losses. Now the impact of the legal cases themselves could begin to aggravate the market's underlying financial problems, as some Names seek court injunctions to avoid having to pay out on claims.

The £16m out-of-court settlement won by Outhwaite Names last week is likely to prove a significant contributor to a wave of further legal action. Names are the individuals whose personal assets support underwriting at Lloyd's; they are committed to risks by managing agents acting on their behalf. In the Outhwaite case, 1,614 members of a syndicate managed by Mr Richard Outhwaite ran up losses of more than £20m as a result of reinsurance contracts that fell foul of court awards to victims of asbestos in the US. Just under 1,000 of the Outhwaite Names brought a lawsuit against 81 Lloyd's agents, which resulted in a settlement giving them back more than 90 per cent of money paid out so far in claims.

The Outhwaite settlement could spur further action in three ways:

- The demonstration effect. Evidence that suing brings success could stimulate new actions by Names in addition to the seven actions under way at the moment (four in the UK and three in North America).

- The "me, too" effect. The Outhwaite settlement did not apply to 627 Names in the syndicate who did not join the legal action. Many of these were "working Names" who may have found it difficult to take action because their employers were either Lloyd's agencies or brokers. These non-litigating Names are now considering legal action of their own.

- The "why not?" effect. The settlement passed the costs of the Outhwaite losses on to the agents' "errors and omissions" insurers, which cover the cost of legal awards against the managers. Many "e and o" policies are written by Lloyd's syndicates.

The Outhwaite case is not the only spur to legal action, however. Also about to join the fray are Names on "spiral" syndicates. These are catastrophe reinsurance syndicates which reinsurance among themselves in a continually evolving spiral of reinsurance.

Separately, Names are also conducting a vigorous public relations campaign, which has recently heightened the political profile of these matters. The most imminent is the settlement of the last three underwriting years, outside Names obtained better results than their counterparts who work in the market.

More general allegations about malpractice also appear

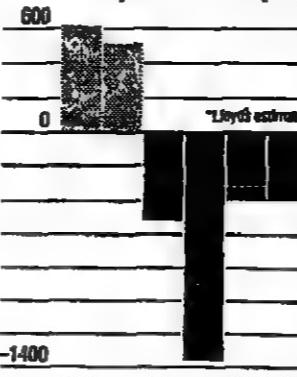
overblown. The market's regu-

Lloyd's faces a crunch on several fronts, writes Richard Lapper

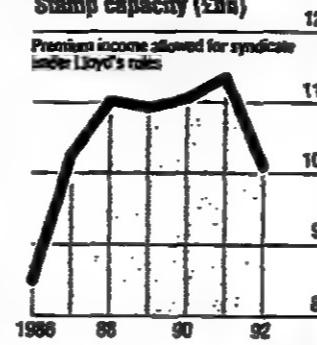
Multiple damages

Lloyd's: the problems mount

Pre-tax profits/losses (£m)

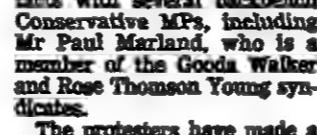


Lloyd's chairman David Colledge



Stamp capacity (£m)

Premium income aligned for syndicate basis Lloyd's rate



Premium income aligned for syndicate basis Lloyd's rate

ning of 1990 – Hurricane Hugo, the San Francisco earthquake, a Phillips Petroleum explosion in Texas and storms in January 1990 – come home to roost.

Syndicates managed by Fletch, Rose, Thomson Young, Goode Walker and Devonshire agencies are among those affected. In some cases solicitors are advising their Names to seek court injunctions to stop Lloyd's drawing down on funds deposited with their agents. A firm of solicitors – Michael Freeman – is seeking injunctions on behalf of 600 Names on the grounds that the cash calls were legally "improper". Another group of Names believe that the reinsurance contracts may be "voidable" – contain flaws which would allow Names to apply to have them set aside. If legal advisers agree, another group of Names may seek reparation.

Separately, Names are also conducting a vigorous public relations campaign, which has recently heightened the political profile of these matters.

The Outhwaite case is not the only spur to legal action, however. Also about to join the fray are Names on "spiral" syndicates. These are catastrophe reinsurance syndicates which reinsurance among themselves in a continually evolving spiral of reinsurance.

Separately, Names are also conducting a vigorous public relations campaign, which has recently heightened the political profile of these matters.

The protesters have made a wide range of allegations about the way Lloyd's works, including accusations that underwriters are overpaid and that the market is prey to malpractices that favour insiders.

Some of their allegations – especially those about the scale of remuneration of some Lloyd's participants – are well-founded, although the information on which they are based has been in the public domain for some time.

Much of what they say must be treated with considerable caution: some of the syndicates accused last week of being given better-quality business because they are dominated by Lloyd's insiders actually made losses in the last underwriting year.

Evidence cited in an extensive review by a 14-man task force into the market's business structure shows that in two of the last three underwriting years, outside Names obtained better results than their counterparts who work in the market.

More general allegations about malpractice also appear

overblown. The market's regu-

OBSERVER

On a limbo in Poland

recent high-level review of the more than slightly abusively custom of muzzling ministers and officials for three months before the annual Budget statement.

Presumably, the new thinking is that silencing Norman "recovery is round the corner" Lamont and his colleagues would give the opposition an unfair pre-electoral leg-up.

Anyway, the worst secret – notably the less-than-dazzling condition of the economy – is long out of the bag.

These groups have links with the Society of Names, an umbrella group formed by Mr

Goldwyn "Include Me Out".

Clearly, Grade is constrained by Channel 4's golden handcuffs and he also wants to see his channel successfully selling its strengths in competition with ITV.

However, some believe that Grade is playing an even longer game and has his eye on the top job at the Beeb.

He seemed to be lining up for nomination for that job at yesterday's BT cable and satellite conference. By praising the BBC governors for realising that it was time to stop concentrating so much on news and current affairs and move more money into popular programmes, he is setting himself up as the man for the job if John Birt were ever to stumble.

Fine-graded

At the mention of any big job in British television up goes the name of Michael Grade. There have been endless rumours, for example, that the ITV companies are desperate to recruit the Channel 4 chief of their central scheduler responsible for masterminding the £250m plus programme budget.

Yesterday Grade came as close as he ever will to ruling himself out of the running for this post. "I ought at this stage to make it quite clear that despite all rumours to the contrary I am not considering taking the new central scheduler job. To quote Sam

Goldwyn "Include Me Out".

Grade is constrained by Channel 4's golden handcuffs and he also wants to see his channel successfully

selling its strengths in competition with ITV.

However, some believe that Grade is playing an even

longer game and has his eye on the top job at the Beeb.

He seemed to be lining up for nomination for that job at yesterday's BT cable and satellite conference. By praising the BBC governors for realising that it was time to stop concentrating so much on news and current affairs and move more money into popular programmes, he is setting himself up as the man for the job if John Birt were ever to stumble.

Top of the list is the Arthur

Bank & Trust Ltd. Number

five on the list is Bank of

America Ltd...

Spice of life

The ministry of finance in the tiny West Indian island of Grenada has issued a list of over 100 companies which purport to be banks but have no valid licence to operate as such in Grenada.

Top of the list is the Artful

Bank & Trust Ltd. Number

five on the list is Bank of

America Ltd...

Epiphomenal

There is some justification in the Liberal Democrats' com-

plaint that they receive little

media attention. But Robert MacLennan, the home affairs spokesman, is not helping his

position has improved markedly since the Lloyd's Act of 1982. An independent inquiry into Lloyd's in 1987, headed by Sir Patrick Neill, reported: "We know of no equivalent organisation which has accomplished such a major programme of reform in such a short time-scale."

But the complaints, though distorted, have served to highlight the market's problems at a time when it is facing acute financial difficulties.

Over the next six to 12 months, the combination of continuing losses and legal challenges from Names refusing to pay up could be devastating. Lloyd's would be especially vulnerable if Names continue to enjoy the legal successes they experienced in the Outhwaite case.

Lloyd's solvency is not under threat. The market's ability to pay claims is backed by at least £15bn which represents the gross assets of more than 20,000 Lloyd's Names.

However, the market's liquidity and cash-flow problems are serious. At least £2bn must be paid out in losses between June 1992 and the end of next year. These losses, together with a flood of legal challenges, could eat into the immediately available reserves of more than £2bn.

Many syndicates are desperately short of cash, especially of starting. Reserves have been depleted by several recent claims: last September's Japanese typhoon is the latest. Ironically, the £16m needed to pay the errors and omissions claim incurred as a result of the Outhwaite settlement could exert further pressure.

There is a serious shortage of sterling on the market," said one agent this week.

These worries explain why some leading market figures have started preliminary talks with ministers and the Bank of England about what could be done to ease a cash crunch should one arise in the next few months. Neither the Lloyd's Corporation – which provides back-up services for the market – nor the Lloyd's Council – the market's governing body – have been involved in the discussion.

But the dynamic of current developments is such that future high-level talks cannot be ruled out. At the least, recent events will keep the pressure on Lloyd's to implement the 65 recommendations of the task force which reported last month. In particular, Lloyd's would need to initiate changes in legislation if the market wanted to attract corporate capital.

The three scenarios sketched out by the task force all assume that Lloyd's will eventually be forced to supplement its existing source of capital – from individual Names – with capital from corporate entities.

<p

lists
ock
pact

LETTERS

Questions of pensions security

From Mr E H Thomas.

Sir, Mr H R Wynne-Griffith (Letters, February 15) refers, in respect of the Maxwell pension funds, to the situation in which banks appear to have title to collateral received by them as security for loans where such collateral was not in the ownership of the borrower.

In these circumstances, why should not those banks and their employees responsible for these transactions be charged with receiving or handling stolen property?

E H Thomas,
20 Brancaster Lane,
Patrix, Surrey CR2 1HF

From Mr Richard Malone.

Sir, In your leader of February 7 on Maxwell's pensions you say that "the pensions lobby" would argue against the principle of pension rights ranking as secured creditors when the sponsoring business fails, because it does not regard final salary pensions as deferred pay.

This assertion confuses two issues. Few people would argue with the principle that the value of accrued pension rights – the members' stake in the fund as you put it – could be described as deferred remuneration, but that does not in itself resolve the complex question of the ownership of surplus assets in balance of cost schemes.

As far as the ranking of pension rights in a liquidation or receivership is concerned, even fewer would argue against the case for further enhancing the overall security of members' retirement provision in occupational pension schemes. In fact it is to be hoped that such a change in legislation may be one positive development which may emerge from the disastrous consequences of the Maxwell case.

Richard Malone,
director,
Noble Lourdes,
Norfolk House,
Wellesley Road,
Croydon CR9 3BN

A certain truth about business leaders

From Mr T J Evans.

Sir, Mr Akio Morita's DIT innovation lecture, and the surprise he expressed that many UK high technology companies find themselves being led by chartered accountants, has produced the expected response from the Institute of Chartered Accountants (Letters February 15). Mr Davis seeks to explain the difference in the normal pedigree of business leaders in the two countries as being largely cultural.

What is undeniable is that in the post-Second World War period Japanese industry has been more successful than British industry and, although the causal link between accountants and relative lack of success in the UK may prove that a similar link between engineers and the success of Japanese industry, it does give food for thought.

Consistently one of the most successful sectors of UK manufacturing is the defence industry, which would be free for them to grow if they were allowed to do so. These industries could benefit from the "defence-free" sector, which is largely made up of defence contractors.

T J Evans,
general secretary,
Institute of Chemical Engineers,
Davis Building,
165-171 Rathbone Terrace,
Rugby CV21 3HQ

Where the UK should get its teeth into delegation

From Mr Robert Guzauskas.

Sir, I have recently returned from a wonderful, two-week visit to the UK, the original "Magic Kingdom". A large part of my two weeks was spent visiting British dentists and dental students.

In the balance

From M J Chudley.

Sir, Joe Rogaly's article, "Merits of Muddle" (February 11), is the best political comment for a long time. The only alteration I would make would be to change the words "hung parliament" to "balanced parliament". We have suffered for too long the effects of elected dictatorships going by the euphemism of strong leadership.

M J Chudley,
Barnfield Top,
Grazeby Lane,
Cirencester,
Nr Northampton NN5 8NN

Dental tradesmen and women.

I was quite surprised to find in a country with a well developed National Health Service, that the average dentist rarely employs a dental hygienist and that a law exists forbidding dental assistants fully to assist.

I can't imagine who would

make a rule which would dis-

courage the delegation of tasks

in a system that otherwise pur-

ports to reduce health care

costs and provide services to

all its nation's people.

Remove that little gitch and

it looks to me like a workable

arrangement.

Robert Guzauskas,

11203 Royal Palm Way,

Boca Raton,

Florida 33432

USA

Fax service

LETTERS may be faxed on 071-473 2888.

They should be clearly typed and

not handwritten. Please enclose a self-addressed envelope.

Below average?

From Mr Terence Freely.

Sir, I trust his doctor friend

warned Dominic Lawson

(How to see the future with an uncommon touch, February 15) that if he ever were to

meet anyone of average intelligence he might find himself overmatched.

Terence Freely,

The Garrick Club,

Garrick Street,

London WC2E 8AY

Minister dismisses criticism of government's human rights stance

From Mrs Lynda Chalker.

Sir, Ann Chynd in her letter (February 12) alleges that the government allows short-term interests to override concerns on human rights.

This is absurd. We have shown ourselves perfectly willing to take action in recent months on Kenya and Sri Lanka – and in both cases this has had a beneficial effect, although these countries have more work to do before the international community will be fully satisfied. Before that, we cut off aid to Burma, Sudan and Somalia. The point is that we did so as a last resort. There are many ways in which we can make our views known, and we must make the best use of these to achieve our aims –

not simply move to cut off aid as a rhetorical gesture.

Mrs Chynd cites the case of Indonesia in the light of the appalling events that occurred in East Timor on November 12. She alleges that the government only reacted following pressure of world opinion. The truth is quite different. As she knows, the Indonesian ambassador was summoned to the Foreign and Commonwealth Office on November 12 to be told of the government's grave concern at the killing.

President Suharto has expressed his shock at the Dili incident. He has removed the military commanders from their posts and promised there will be no repeat. The Indonesians have accepted a visit by

the UN secretary general's personal representative, Mr Wakao, to clarify the Dili incident.

At their meeting on February 5, Douglas Hurd, the foreign secretary, told the Indonesian foreign minister that he welcomed the action that had been taken so far but sought assurances that they would complete, as promised, the next stages of the investigation to bring to justice those responsible, search for the missing and take measures to prevent a recurrence.

Indonesia remains one of the

50 poorest countries with the

largest population. It has

a well deserved reputation for

sound macro-economic manage-

ment and for making effec-

tive use of aid. It has consider-

ably reduced the incidence of

absolute poverty over the last

15 years.

Following the shootings in East Timor on November 12 the donor countries concluded that projects already agreed with the Indonesian government should continue as planned. Our projects include a number relating to tropical forest, energy efficiency and the environment. These are key areas.

Lynda Chalkar,

minister for overseas

development,

Overseas Development

Administration,

94 Victoria Street,

London SW1E 6JL

PERSONAL VIEW

Three ways to free housing from the public spending trap

By John Perry

The Labour party's decision to consider redefining the public sector borrowing requirement (PSBR) to exclude funds raised for investment in transport and housing highlights the dilemma facing those advocating more public spending.

A sound economic and social case can be made for extra spending on housing and transport. But scope for additional expenditure by any public sector body is constrained by limits on the PSBR.

The dilemma is faced most starkly in housing, where repossession, homelessness and waiting lists for council housing are all increasing. These are the symptoms of a crisis which has arisen because more than 1.5m rented council homes have been sold over the past decade and not been replaced.

Most national housing organisations agree that an annual programme to build 100,000 affordable homes to rent is needed – more than twice the present output. One way to finance that increase would be to use the capital receipts from council house sales. A little less than £6bn is available, but under Treasury rules it is frozen in short-term investments.

The central problem is that, under present Treasury rules, spending the receipts counts as public expenditure and increases the PSBR. This is because the income from sales has been treated exactly like privatisation proceeds and

recorded as negative expenditure.

There are three possible routes out of the PSBR trap.

• The first is to stop treating the receipts as if they were privatisation proceeds. Council house sales are not the same as other privatisations – it is not necessary to "replace" BT but it is necessary to restore the supply of rented housing. A decision could be made to start adding receipts directly to each year's spending programme.

• The second is to develop a long-term strategy to avoid this by creating independent agencies to own and invest in local authority housing which would be technically outside the public sector.

Housing associations have been in a relatively privileged position since the 1989 Housing Act which put them into the private sector for spending purposes. Only the public subsidy received from the Housing Corporation, the quango which distributes state grants to housing associations, counts towards the PSBR; housing associations' private borrowing does not count because it is not guaranteed by the Treasury.

It would not be hard to put the local authorities in a similar position to the housing associations. This could be by using the "ring-fencing" which was introduced in 1988 to keep the authorities' housing accounts separate from other council spending so that they cannot be subsidised from the poll tax.

There is no macroeconomic

reason why "ring-fenced" housing revenue accounts should be controlled by central government. If local authorities want to increase spending or borrowing on housing, they should be free to do so – so long as it is covered by revenue from housing.

The central government subsidy which backs local authority investment in housing would continue to count as public expenditure, and contribute to the PSBR. But investment decided locally should not because it will be supported by raising rents or selling assets or even borrowing against the actual housing stock-in-trade.

The purist will object to these two options because they involve changing accounting conventions.

• The third option would avoid this by creating independent agencies to own and invest in local authority housing which would be technically outside the public sector.

Councils would transfer stock to such an agency at the value of outstanding loan debt. They could retain a strong influence over the agency through membership of the board, combined with a "golden share" to prevent the agency selling off the stock. Tenants could be given all or a share of the remaining positions.

The agency would be free to borrow, or invest from rents or asset sales. Government control would be limited to the subsidy the agency receives which would come via the local authority and, as with housing associations, would still be regarded as

public spending.

Agencies of this kind are responsible for a big proportion of social housing investment in other European countries, where they are not classified as part of the public sector – even where the local authority has a controlling share.

Even in Britain, the present regime is not as tight as first appears. Local authorities already have freedom to raise rents to invest from revenue (and indeed about 10 per cent of capital spending is from rents since this year). In Scotland, local authorities have the power directly to reinvest capital receipts.

Now is a propitious time to relax controls, not just because investment is urgently needed, but because the building industry is in recession and local authorities are more debt-free than for many years. Council debt has fallen by 50 per cent since 1975 and the net value of local authority housing stock has been put as high as £130bn.

The arguments that investment controls are needed for macroeconomic reasons or to temper demands on the building industry – always a thin case – have even less validity at present. And these options are no more radical than the government's plans to transfer the agency selling off the stock. Tenants could be given all or a share of the remaining positions.

Whichever party wins the general election, one of the three options outlined may be an attractive route to securing much-needed investment in affordable housing.

John Perry is head of policy at the Institute of Housing.

PERSONAL VIEW

Three ways to free housing from the public spending trap

By John Perry

recorded as negative expenditure.

There are three possible routes out of the PSBR trap.

• The first is to stop treating the receipts as if they were privatisation proceeds.

• The second is to develop a long-term strategy to avoid this by creating independent agencies to own and invest in local authority housing which would be technically outside the public sector.

• The third option would avoid this by creating independent agencies to own and invest in local authority housing which would be technically outside the public sector.

Councils would transfer stock to such an agency at the value of outstanding loan debt. They could retain a strong influence over the agency through membership of the board, combined with a "golden share" to prevent the agency selling off the stock. Tenants could be given all or a share of the remaining positions.

The agency would be free to borrow, or invest from rents or asset sales. Government control would be limited to the subsidy the agency receives which would come via the local authority and, as with housing associations, would still be regarded as

Edward Mortimer

Rushdie: no happy ending

 "I have lost my freedom – my home, my family, my daily life. I want it back."

From Ms L Williamson.

Mr Salman Rushdie, the novelist, last week in his speech on the third anniversary of Ayatollah Khomeini's *fatwa* condemning him to death, will have felt a grim satisfaction. The rest of us, however, including many Moslems, reading those words uttered by Mr Rushdie should not be killed is not enough. The question is whether there is any principle justifying the abridgement of his freedom of expression. Here the British establishment is clearly wrong-footed by the existence of the law of blasphemy, which the courts have ruled does not offend against Islam. It is impossible for Moslems not to see that ruling as discriminatory.

Historically, blasphemy was an offence against God, which a Christian society had to suppress in order to avoid being collectively guilty of it. The question that arises now is not that at all, but whether freedom of expression on religious matters should be limited in the interests of peaceful coexistence between different religious communities. Do we need an offence of "incitement

to religious hatred", comparable to that of "incitement to racial hatred"? Perhaps we do, but even under that heading the law needs to be changed.

The argument about The Satanic Verses is one in which there is not much pleasure for either side. If one takes Mr Rushdie's side, one can easily slide into polemics against Islam or Moslems as such, increasing the sense of grievance and humiliation that many Moslems undoubtedly feel about the attitude of the western establishment towards them, especially in Britain. And yet for anyone who takes liberalism seriously, defending Mr Rushdie is an inescapable task.

In the first place he has to be defended against Khomeini's *fatwa* and its consequences. Whatever the right thing to do about The Satanic Verses may be, it is not liberal to believe that the death penalty should be imposed on its author or publishers or translators; still less that murder can acquire any kind of legitimacy

to religious hatred", comparable to that of "incitement to racial hatred"? Perhaps we do, but even under that heading the law needs to be changed.

So what can be done? Can the *fatwa* be "cancelled", as Mr Rushdie suggests? Technically not. In legal terms a *fatwa* is simply an opinion or ruling given by a learned authority. Only that authority could rescind it, and Khomeini is now dead. But different authorities can give different rulings and, especially in Shia Islam, it is admitted that the law needs constant reinterpretation to suit changing circumstances.

Indeed, the Shia student is obliged to follow a living *marja*, or source of imitation. The trouble is that politically no living scholar's pronunci-

ments

INTERNATIONAL COMPANIES AND FINANCE

Midland Group expected not to pay a dividend

By Robert Peston in London

MIDLAND GROUP is unlikely to pay a dividend for the second half of 1991, making it the first English clearing bank to omit a dividend since the 1930s. A year ago, it became the first bank since the Depression to cut its dividend.

A formal decision will not be taken by the bank's board until next week, when Midland is due to disclose its 1991 results. But executive management is expected to recommend that no dividend be paid, and a payment may be impossible in any case.

"It is difficult to see how Midland can pay a dividend," said a financier with an intimate knowledge of the company. "It does not have the distributable reserves."

Under company law, compa-

nies can only pay dividends out of their distributable reserves. At June 30, Midland's distributable reserves were just £53m. Analysts believe Midland suffered a bad debt charge in 1991 close to £1bn on its UK loans alone.

Its results are due on February 27 and brokers expect it to report a pre-tax loss of between £50m and £140m for the year.

If the more pessimistic analysts are correct, Midland's distributable reserves would be wiped out, making it impossible to pay any dividend.

Midland's dividend dilemma is a reflection of the severity of the current recession, which has placed many borrowers in difficulties and forced banks to make huge debt provisions.

Nonetheless, Midland's bal-

ance sheet remains strong by international standards. Its Tier 1 or core capital is thought to be equal to more than 5 per cent of its assets, well above the minimum level set by the Bank of England.

Unlike most companies, Midland does not divide its annual dividend between an interim and final payment. Instead, it normally pays two interim dividends, although the second half interim is equivalent to most companies' final payment.

It made a first interim payment of 1.7p, in respect of the first six months of the year. So even if it did not make a second payment, it would remain on the dividend list and its shares could continue to be held by all investment funds.

Océ rises 20% and lifts payout

By Ronald van de Krol in Amsterdam

OCE-van der Grinten, the Dutch photocopier and office equipment group, is to raise its dividend for the first time in seven years after posting a rise of nearly 20 per cent in 1991 net profit.

Net profit increased from F1.857m (\$46.3m) in 1990 to F1.100.9m last year, in line with the company's provisional January forecast of F1.101m. Océ, which described 1991 as an excellent year, said it would raise the dividend to F1.225 per share from F1.200, the level at which it had been held since 1988.

The company predicted that profit would show additional

growth in 1992, provided there was no further weakening in the investment climate. Océ's financial year runs from December to November.

News of this higher dividend and profit forecast pushed Océ's shares up by F1.10, or 4.4 per cent, to close at a 12-month high of F1.730 on the Amsterdam Stock Exchange.

Group sales rose 11 per cent to F1.258m, mainly due to the launch of updated products such as two high-volume copiers. The acquisition in August of Bruning, a US design engineering company, accounted for around 2 percentage points of the sales rise.

VNU to double stake in TV station

By Ronald van de Krol

VNU, the Dutch publishing group, is to double its holding in the Dutch-language commercial television station RTL4 by acquiring a 19 per cent stake held by fellow publisher Elsevier for F1.87m (\$47m).

The deal will give VNU a 38 per cent shareholding and make it the second largest shareholder in RTL4 after Luxembourg television group CLT, which owns 40 per cent. Other

shareholders include banks, private investors and Philips, the Dutch electronics group, which holds 2 per cent.

As part of the agreement, Elsevier has said that it will refrain from commercial broadcasting aimed at the Dutch market for the next three years, with the exception of regional and local broadcasting.

VNU and Elsevier hold their stakes in RTL4, currently the only Dutch commercial station, through a joint venture company, European Media Investors, which will now be owned solely by VNU.

Besides RTL4, which broadcasts to the Netherlands from Luxembourg to get around Dutch media laws, VNU also has an 11 per cent stake in Belgium's Flemish-language commercial station VTM.

Judge puts off decision in battle over Perrier

By Alice Rawsthorn in Paris

THE outcome of the first round in the legal battle over the ownership of Perrier, the mineral water group, hung in the balance last night when a French judge said he would delay his judgment until later this week.

Mr Gilles Ray, president of the commercial court at Nîmes in southern France, is considering a case lodged by Nestlé, the Swiss food group which is mounting a FFr13.42bn (\$2.45bn) hostile bid for the French mineral water company in conjunction with Banque Indosuez of France.

Nestlé has asked the court to freeze the voting rights on the 35 per cent stake in Perrier controlled by Exor, the French property group for which the Agnelli family of Italy is in the throes of a FFr5.6bn friendly bid.

Nestlé, which last month secured a temporary injunction on the Exor votes, also wants the freeze to apply to Société Générale, the French bank allied to Exor.

Exor, whose chairman, Mr Jacques Vincent, also chairs Perrier, is fighting against the case which began yesterday in a court room packed with employees from the mineral water company.

This is the first in a series of cases which could be critical in determining the final outcome of the battle for Perrier. Next week, the Paris commercial court will decide whether to invalidate the recent purchase of 13.8 per cent of Perrier by Saint Louis, the French sugar group in which the Agnelli also hold a stake.

Unless Nestlé succeeds in invalidating the voting rights of either Exor or Saint Louis it has no hope of winning control of Perrier given that together the two French groups control nearly 40 per cent of its quarry.

French food group BSN is to sell a 67 per cent stake in brewery Henninger Hellas to Greek wine company Epanomi. Under the deal, BSN will distribute Epanomi's beer and mineral water brands in Greece. Epanomi will keep a 13.8 per cent stake in Henninger.

Den norske Bank losses treble

By Karen Fossel in Oslo

DEN norske Bank, the troubled Norwegian bank, yesterday unveiled a three-fold increase in net losses, before extraordinary items, for 1991.

It also warned that non-performing loans would not show a rapid decline until the Norwegian economy improves.

Net losses for last year totalled Nkr1.32bn (£679m). DnB said that operating profit, before tax and credit losses, was halved to Nkr1.27bn in 1990. Credit losses swelled by Nkr1.77bn to Nkr5.58bn.

DnB said that the net volume of non-performing loans was Nkr8.58bn at the end of 1991 but that accumulated provisions for estimated losses totalled about Nkr1.9bn.

"The adverse trend in the Norwegian economy in the last part of 1991 made it necessary to increase loan-loss provisions substantially," explained Mr Finn Hvistendahl, DnB presi-

dent. Mr Hvistendahl added that income on "healthy" loans was acceptable. Nevertheless, net interest income slipped to Nkr4.65bn from Nkr4.95bn in 1990.

He declined to give a forecast for the development of the bank in 1992. Local analysts say there is unlikely to be any significant improvement this year.

One bright note is that DnB managed to reduce costs to Nkr4.95bn last year from Nkr5.58bn in 1990.

"Since 1988, costs have been pared by Nkr1.98bn, with staff reductions of 2,466 full-time positions. The bank is now considerably more cost efficient," Mr Hvistendahl said.

"The accounts show that income on healthy loans is acceptable," he said. "The bank's income on trading in foreign exchange and treasury products as well as income generated in some of the bank's domestic subsidiaries is

expected to contribute to improved profitability," Hvistendahl said.

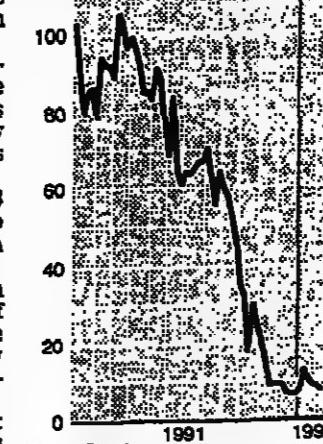
In a complex deal orchestrated by the state, DnB's biggest shareholder, last December, the bank acquired Realcredit, a financially-troubled mortgage group. Realcredit will be consolidated into the bank's accounts this year.

Realcredit announced 1991 net losses before extraordinary items, of Nkr1.25bn from Nkr18.5m in 1990. Realcredit posted an operating loss, after credit losses of Nkr762.7m, up from 1990's operating loss of Nkr456.3m. Credit losses rose by Nkr45.5m to Nkr625m.

Realcredit explained that last year's figures were strongly influenced by restructuring costs - put at Nkr162m - and a continued fall in the value of property values which forced it to write down significantly the value of its property portfolio.

DnB

Share price (kroner)



Svenska Handelsbanken tumbles 39%

By Robert Taylor

SVENSKA Handelsbanken, one of Sweden's leading commercial banks, suffered a 39 per cent drop in profits to SKr2.77bn (£470m) for 1991, the bank announced yesterday.

The main cause for the setback has been the increase in credit losses which climbed to SKr1.88bn, or 1.1 per cent of loan volume, from SKr1.62bn, or 0.3 per cent, in 1990.

The bank said that SKr455m of the losses stemmed from loans to the finance company Gamlestaden.

Mr Arne Mortenson, chief executive, said he expected credit losses to be lower this year but he would not make a profit forecast for 1992.

The bank said that before taking account of credit losses there was a 15 per cent improvement in profits to SKr5.96bn. Total income was SKr1.15bn, a record figure which after interest was 80 per cent better than in 1990.

Despite reduced earnings, Handelsbanken is lifting its dividend to SKr4.75 per

share from SKr4.50 in 1990. Return on capital after deductions declined to 11.3 per cent from 22.2 per cent, but the bank pointed out that this was above the average for the Swedish banks. It added that the profit per share (after extraordinary items) fell to SKr8.90 from SKr19.22 in the previous year.

Postipankki, Finland's post office bank, suffered a loss of FM135m (£30.5m) last year compared with a FM25m profit in 1990. The main cause of the

Norsk Hydro to sell Dutch unit

NORSK HYDRO, Norway's biggest listed company, has seek offers for Norsk Hydro Noordze, the subsidiary which holds all of the company's Dutch oil and gas exploration and production interests, writes Karen Fossel.

Hydro's move follows a budget earlier this year by Statoil, the Norwegian state oil company, with profit-before-expenses rising by 12.5 per cent to FM1.42bn to FM1.20bn. Expenses were also under control, rising by 2.5 per cent to FM1.65bn.

Norsk Hydro said that these sales in no way affects other activities in the Netherlands.

Unidanmark hit by loss provisions

By Hilary Barnes in Copenhagen

THE Unidanmark banking group plunged even more heavily into loss last year after making substantial increases in loss provisions on building and property in the UK, the US and Denmark.

Net losses increased to DKr1.68bn (£262m) from DKr1.09bn in 1990 after bad loss provisions increased to DKr3.4bn, against DKr3.5bn, which was about 30 per cent of outstanding loans and guarantees.

The group's capital ratio was 10.4 per cent, but it was achieved partly by slimming the balance sheet by DKr16.4bn to DKr263.1bn. The bank plans to raise at least DKr16bn in supplementary loan capital through a bond issue next week.

Despite two years with substantial losses, the bank plans to pay an unchanged dividend of DKr10 a share.

Mr Steen Rasmussen, chief executive, said the bank had

topped up provisions in the building and property sector, as well as on loans to the former Soviet Union (which are now fully covered by provisions) in order that the bank could be certain that provisions will now decline.

He said the bank performed well on its ordinary business, with profit-before-expenses rising by 12.5 per cent to FM1.42bn to FM1.20bn. Expenses were also under control, rising by 2.5 per cent to FM1.65bn.

Consolidated 1991 Sales of PEUGEOT S.A.

Up to 0.1% to FF 160.17 billion

Peugeot and Citroën both improved their positions in the fourth quarter of 1991, at a time when the European auto market declined by just over 6%. Following the launches of the Peugeot 106 and diesel-powered versions of the Citroën ZX, PSA Peugeot Citroën's passenger car registrations totalled 390,000 units, putting the Group in second place among European automakers, with a 13.7% share of the market.

As a result, consolidated sales for the quarter reached FF 41.99 billion, up 8.7% over the year-earlier period.

After the 6.3% sales decline recorded for the six months ended June 30, which reflected efforts to reduce finished-vehicle inventories, the strong fourth-quarter showing enabled the Group to achieve a slight year-to-year increase in full-year consolidated sales, to FF 160.17 billion.

(FF millions)	1991	1990	Change
Automobile Division			
Automobiles Peugeot	91,279	93,134	- 2.0%
Automobiles Citroën	61,019	59,441	+ 2.7%
Other	379	281	+ 34.9%
Total Automobiles Division	152,677	152,856	- 0.1%
Mechanical Engineering and Services Division	7,494	7,120	+ 5.3%
Total PSA Group	160,171	159,976	+ 0.1%

The percentage of overall sales derived outside of France rose from 53.5% in 1990 to 55.7% in 1991. Non-French sales totalled FF 89.21 billion, a 4.2% increase over the previous year. The largest of these markets included Spain, with sales of FF 15.94 billion, the United Kingdom, with FF 15.57 billion, and Germany where Group sales climbed 41% to FF 14.86 billion.

Exports of the Group's French-based companies totalled FF 71.16 billion, virtually identical to their 1990 level.

GOLD FIELDS OF SOUTH AFRICA LIMITED

(Incorporated in the Republic of South Africa)

(Registration No. 05/04/181/06)

DECLARATION OF DIVIDEND (No. 88)

UNITED KINGDOM CURRENCY EQUIVALENT

In accordance with the standard conditions relating to the payment of dividend No. 88 declared on 21 January 1992, payments from the offices of the United Kingdom Registrar will be made in United Kingdom currency at the rate of exchange of R4.9507 South African currency to £1 United Kingdom currency, this being the first available rate of exchange for remittances between the Republic of South Africa and the United Kingdom on 17 February 1992, as advised by the Company's South African bankers.

The United Kingdom currency equivalent of the dividend (No. 88) of 14.3841 cents per ordinary share is therefore 14.13841 pence per share.

By order of the Board

per pro GOLD FIELDS CORPORATE SERVICES LIMITED

London Secretaries

S.J. Dunning, Segretario

INTERNATIONAL COMPANIES AND CAPITAL MARKETS

BMW director remains quiet on move to Porsche

By John Griffiths

MR Wolfgang Reitzle, BMW's research and development director and widely seen as potential successor to Mr Eberhard von Künheim, management board chairman, yesterday refused to comment on a flurry of press reports that he was to become management board chairman of Porsche, the troubled German sports car maker.

He is expected to issue a statement later this week.

A spokesman for Stuttgart-based Porsche last night denied a Stuttgarter Zeitung report that a decision to appoint Mr Reitzle (pictured right) to succeed Mr Arno Böhn, whose contract with Porsche has almost a year to run, would be made at a meeting of Porsche's supervisory board tomorrow. The spokesman confirmed that the meeting was scheduled.

BMW last night would not



confirm nor deny the report. Speculation about both men's future has been spreading through the German media since the weekend.

However, one of the latest reports, carried by Reuters last night, said Dr Reitzle had received "an interesting offer" from Porsche, but had decided to remain with BMW after a meeting of BMW's management board yesterday.

Speculation about the possible change in management board leadership has ranged from a power battle over the direction of the company between the controlling Pischel and Porsche families, and the possibility that such a move by Dr Reitzle could mark a closer long-term relationship between BMW and Porsche.

BMW last night would not

IBM adds to minicomputer line

By Louise Kehoe in San Francisco

INTERNATIONAL Business Machines yesterday announced additions to its range of AS/400 minicomputers, one of the company's few strong sellers over the last year. The AS/400 was introduced in 1988.

IBM said the new computers were up to 70 per cent more powerful than the current generation of AS/400 machines, and incorporated several technology advances, including a new generation of 16-megabit memory chips.

"It represents IBM's first step in applying this new technology across our product line," said Mr Paul Low, IBM vice-president and general manager, technology products.

"We plan to introduce 16-megabit technology in new products this year and beyond, taking advantage of the increased capacity and perfor-

mance this new chip provides."

The new top-of-the-line AS/400, the model 830, is the first to use IBM's one-gigabyte 2½ inch disk storage device. IBM said this would significantly reduce the cost of data storage for its minicomputer users.

The company announced new AS/400 software, including a new version of the operating system, which it said would make them more open and easy to use.

In the US, IBM announced a rebalancing of prices on memory and peripheral options for the AS/400 line. Prices of displays, memory and disk storage were reduced by up to 40 per cent. US prices for the new 16 megabit processors are the same or slightly increased over current models.

Typical configurations, including peripherals and soft-

ware, provide 30 per cent better performance at 10 per cent less cost, IBM said. The new models will be available next month, US prices range from \$38,000 to \$1.2m.

• IBM's UK subsidiary has decided to dispense with list prices for the new mid-range machines, writes Alan Cane.

The move seems an extension of a trend of the past few years where the price paid by a customer for an IBM mainframe has had little relation to the list price.

It is thought to be the first time IBM has thrown away the price book for low-cost machines.

The UK market is thought to be IBM's toughest, and the company is taking the opportunity to test new marketing methods and pricing policies.

Judge overturns Miniscribe award

By Louise Kehoe

A JURY award of over \$560m against Hambrecht & Quist, the San Francisco investment banking group, and Coopers & Lybrand, the international accounting firm, in a fraud case brought by former investors in Miniscribe, the now defunct computer disk drive manufacturer, has been set aside by the Texas judge hearing the case.

The parties agreed to an undisclosed out-of-court settlement. The judge ruled the jury verdict against Coopers & Lybrand was "contrary to the great weight and preponderance of the evidence" in the case.

The accounting firm main-

tained it was unaware of allegedly fraudulent activities by former managers at Miniscribe. The case, one of several filed against Miniscribe and related parties, was brought by an investment management firm on behalf of former Miniscribe bondholders.

After a three-month trial, the jury awarded \$20m in actual damages and \$50m in punitive damages to investors who had purchased about \$16m in bonds on the basis of misleading financial statements from Miniscribe.

Jurors assessed \$250m in punitive damages against Mr Q.T. Wilcox, Miniscribe's former chairman, who also served as a

lawyer for the plaintiff.

He said that the plaintiff was negotiating a settlement with the other defendants in the case.

Miniscribe, founded in 1980, filed for bankruptcy protection two years ago.

Gerdau buys second state company

By Bill Hinchberger in São Paulo

GRUPO GERDAU, Brazil's largest privately-owned steel producer and its 13th largest privately-owned group, has bought a second state-owned steel company, less than three months after buying the first.

It bought Acofino Piratini at a privatisation auction last week for \$105m, 18 per cent over the minimum asking price.

The sale was the seventh in President Fernando Collor de Mello's privatisation programme, which began last

October. In November, Gerdau purchased the Cominor iron-works for \$14m.

With the purchase of Acofino Piratini, Gerdau gets a foothold in the specialised steel sector. In 1981, the newly-privatised company sold about 140,000 tons of finished products, about 30 per cent of which was exported. Gerdau estimates the company's productive capacity at about 200,000 tons a year.

Gerdau outbid Eletronmetal, a São Paulo producer of speci-

alised steel, to take control of 59.9 per cent of Acofino Piratini.

The company is located in Rio Grande do Sul, in the same state as the parent group's headquarters.

Several auctions are scheduled for the coming months.

The next is due today when Gofastertil, a producer of phosphate, goes on the block. Petrochemical groups Petróflex and Copersul, go up for sale on May 15 and May 15 respectively.

Singapore retailer slides 27% to \$88m

By Philip Gathin in Johannesburg

COLD Storage, the Singapore supermarket operator and food retailer, yesterday reported a 27 per cent fall in net profits to \$88m (\$US4.5m) for the first half to December from \$10.5m a year earlier. Sales were flat at \$212.6m compared with \$221.7m. AP-DJ reports from Singapore.

The directors said pre-tax profits fell 37 per cent to \$21.2m from \$31.3m because the previous period included \$19.6m in profit from subsidiaries which had since been deconsolidated.

For the ongoing activities, pre-tax profits fell 31 per cent to \$82.1m from \$82.3m and turnover also rose 8.2 per cent to \$212.6m from \$203.2m.

Earnings per share fell 27 per cent to 6.89 cents from 8.75 cent, while the dividend is being raised to 3.25 cents a share from 3 cents.

The directors said that while performance of the group's retail, wholesale distribution and trading, and ice and storage businesses was satisfactory, its beverage operations continued to face difficulties. Beverage manufacturing was closed down last month, they added.

They are expecting the second half to be better than last year's, although they are predicting increasingly competitive trading conditions. They are also expecting interest income to be impacted by lower interest rates.

AECI limits fall in earnings to 21%

By Philip Gathin in Johannesburg

AN improved performance in the second half allowed AECI, South Africa's largest non-fuel chemicals group, to limit the fall in earnings to 21 per cent in 1991. This followed a disastrous first half when earnings dropped by 56 per cent.

Although trading conditions remained difficult, the group managed to double the level of trading income achieved in the first half. Mr Mike Sander, managing director, said higher production rates, tight control of fixed costs and enhanced productivity had improved margins, while specialty businesses had performed better.

Turnover rose by 5 per cent to R5.28bn (\$1.44bn), but net trading income was 19 per cent down at R402m. Attributable income was 21.4 per cent lower.

Export volumes had increased significantly with

revenues up by 27 per cent over 1990.

Although AECI appears to have turned the corner, the market is still taking a cautious view of the company. Its current share price of R3.30 is a long way off the R22.50 which it scaled in the late 1980s, and its p/e ratio of 8.2 is below the sector average.

Mr Sander said prospects for a recovery were dependent largely on the timing and extent of a recovery in the domestic economy. He said that provided this was not impeded by factors such as the continuing world recession, adverse political developments, or the serious drought gripping South Africa, a moderate improvement in earnings could be expected.

Japan's Ministry of Finance has started to inspect the country's eight housing loan companies, which face an increase in bad loans due to the slump in the property market.

The move reflects increasing worries at the ministry over the companies' deteriorating property-related loan portfolios, which include funds extended to resort and golf course developments.

Japan's housing loan companies were set up in the 1980s to finance housing and property projects for individuals. However, the companies sharply increased their exposure to high-risk developments during the years of loose credit in the late 1980s. Financial problems at the housing loan companies will burden the commercial banks, which lent heavily to the loan companies.

According to Teikoku Data Bank, a Japanese credit agency, loans extended by the eight housing loan companies to corporations which failed last year totalled Y90.7bn

(\$737m). Teikoku added that since the housing loan companies were not required to book defaulted loans until more than a year after a borrower had stopped making payments, the underlying amount of non-performing loans could be very large.

Last year, Chigiri Seiko Housing Loan asked its creditors and shareholders to co-operate with its restructuring plan. The company had lent to Namstomi, a property developer and stock speculator

Fashion house static after charge for Macy's

By Nikki Tait
in New York

LIZ CLAIBORNE, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed for bankruptcy last month.

Liz Claiborne, the US fashion designer and clothing manufacturer, yesterday announced static fourth-quarter profits after taking a \$3m charge relating to R.H. Macy, the New York-based department store chain which filed

INTERNATIONAL CAPITAL MARKETS

Long end slides as Fed cuts reserve requirements

By Patrick Harverson in New York and Sara Webb in London

US TREASURY prices nosedived at the long end of the maturity range yesterday after the Federal Reserve unexpectedly lowered bank reserve requirements.

In late trading, the benchmark 30-year government bond was down 11 at 1004, yielding 7.978 per cent. The two-year note, however, was up 1 at 964, yielding 5.323 per cent.

After the Presidents Day holiday, which closed the markets on Monday, US investors returned to work with little incentive to buy Treasuries. Early on, however, demand from Japanese investors in Tokyo, provoked by the strengthening dollar, kept prices in positive territory.

The market took a sudden turn soon after midday, when the Fed announced that, as of April 2, it was cutting the reserve requirement on transaction accounts from 12 per

GOVERNMENT BONDS

cent to 10 per cent. The idea behind the Fed's move is to free up capital that banks can lend to corporates or consumers, and thus stimulate the flagging economy.

Bond investors took fright on the news because they believed the move makes another interest rate cut less likely. In contrast, prices at the short end held up because investors were betting that banks would use some of their

BENCHMARK GOVERNMENT BONDS									
	Coupons	Red Date	Price	Change	Yield	Week ago	Month ago	Year ago	Yield/price
AUSTRALIA	10.000	10/03	99.33/07	-	10.10	10.13	10.13	10.13	10.13
BELGIUM	9.000	08/01	101.65/00	-	8.73	8.84	8.85	8.85	8.85
CANADA	6.000	04/02	98.93/00	-0.750	8.52	8.51	8.51	8.51	8.51
DENMARK	8.000	11/03	102.37/00	+1.070	8.58	8.51	8.51	8.51	8.51
FRANCE	8.500	08/07	98.07/00	+0.110	8.78	8.70	8.70	8.70	8.70
ITALY	8.500	11/02	100.54/00	+0.080	7.92	7.88	7.88	7.88	7.88
GERMANY	8.000	01/02	100.54/00	+0.110	12.51	12.28	12.28	12.28	12.28
JAPAN	No 119	4.200	99.95/00	+0.220	8.72	8.75	8.75	8.75	8.75
No 120	6.000	03/02	100.98/00	-0.201	8.62	8.67	8.67	8.67	8.67
NETHERLANDS	8.200	02/02	98.80/00	+0.100	8.20	8.10	8.10	8.10	8.10
SPAIN	11.300	01/05	102.80/00	+0.190	10.78	10.60	10.60	10.60	10.60
UK GILTS	10.000	11/08	102.07	+0.622	9.40	9.61	9.61	9.61	9.61
12.000	02/08	102.80/00	+0.201	9.31	9.40	9.40	9.40	9.40	9.40
14.000	06/08	102.80/00	+0.202	8.14	8.47	8.47	8.47	8.47	8.47
16.000	10/08	102.80/00	+0.202	7.98	7.95	7.95	7.95	7.95	7.95
US TREASURY	7.500	11/07	100.02	-0.020	7.49	7.27	7.27	7.27	7.27
8.000	11/21	101.02	-1.1	7.58	7.58	7.58	7.58	7.58	7.58

London closing. *New York closing. Private UK in £100s, others in decimal

Technical Costs/ATL/ABP Price Source

Additional capital to invest in short-term Treasury securities

■ THE UK government bond market opened up a quarter of a percentage point, helped by sterling's strength, but prices later slipped to close unchanged following the weakness in the US Treasury bond market. The pound's strength against the D-Mark fuelled buying interest from both domestic and international investors, traders said.

The Liffe bond futures contract opened at 97.31, up from Monday's close of 97.23 and traded up to a high of 97.37, before ending the day at around 97.32.

Volume in the Liffe futures contract was above average at over 23,000 contracts. The

benchmark 11% per cent gilt due 2003/07 opened at 115.64 and traded at 115.67 late.

■ GERMAN government bonds traded in a narrow range as participants await the release of the German M3 money supply figures for January.

The figure is expected to show an increase from December's 5.7 per cent to between 8 and 10 per cent in January.

The Bundesbank's 1992 M3 target range is 3.5-5.5 per cent growth. The Liffe bond futures contract closed almost unchanged on the day at 97.37.

■ JAPANESE government bonds ended little changed with the benchmark No 129 yielding 5.385 per cent after trading in a narrow range.

Turkey plans Eurodollar offering

By Simon London

TURKEY plans to return to the international bond market for the first time since the Gulf war by launching a \$150m bond issue in the next two to three weeks.

Mrs Uzum Ucok, head of capital markets at the central bank, said in London yesterday that the country faced a "severe credit crunch" during the Gulf war, but planned to launch a \$150m international borrowing programme this year. The country's last Eurodollar issue was in March 1990, five months before Iraq invaded Kuwait. Although it has since borrowed in the German and Japanese domestic bond markets, a Eurodollar deal is seen as vital to attract a wide range of international investors.

In addition to the planned five-year Eurodollar deal, which will have an investor option after three years, Turkey is also planning a Yankee bond issue in the US.

To facilitate US borrowings, a rating is being sought from Standard & Poor's, the US credit rating agency. A long-term debt rating of around triple-B, the lowest investment-grade category, is anticipated.

Before the Gulf war, Turkey's new Eurodollar bond issues were trading at yield spreads as low as 20 basis points over US government bonds. However, yield spreads for three-year maturities have since widened to around 70 basis points.

Mrs Ucok said the new issue, lead-managed by Bankers Trust International, would be priced to reflect current secondary market levels rather than the cost of funds available when Turkey last tapped the market.

Turkey has \$45bn foreign debt outstanding but this is amply covered by foreign currency earnings. Interest payments and principle repayments amounted to \$1.5bn last year, against foreign exchange earnings of \$23.75bn.

Meanwhile, preliminary selection of bids for Malev, the Hungarian national airline which CSFB is mandated to privatise, is gearing up this week.

This year, debt service payments will peak at \$6.85bn, before declining to the end of the decade.

which would be the largest Euroyen bond issue, is expected to be launched either this morning or tomorrow, if market conditions are favourable.

The current Euroyen benchmark at the 10-year maturity is the World Bank's Y50m issue, which was yesterday trading at a yield of 5.61 per cent.

Bulgaria, which has a AA-1 credit rating, one notch higher than Spain, also has a Y50m deal outstanding, trading at 5.75 per cent. Syndicate officials said yesterday that bonds issued by Spain should be priced to yield slightly more than US Treasury bonds, at the aggressive end of market expectations.

In common with other recent EIB issues, the deal was not

Global telecom sector set to expand

By Sara Webb

THE GLOBAL telecommunications sector is expected to generate a flood of new equity issues - both domestic and international - over the next few years.

According to Mr Richard Ryder, head of telecommunications research at Salomon Brothers in London, the market capitalisation of the listed global telecommunications sector may increase by between \$80bn and \$100bn from its current level of \$45bn over the next three-to-five years due to substantial new stock issues.

Privatisations and share sales in Telefonica de Argentina, British Telecom, STET of Italy, Telmex of Mexico and Telecom Corporation of New Zealand, raised over \$3bn during 1991.

Both Singapore Telecom and OTE, the Greek telecommunications group, are due to be floated this year. In the case of Singapore Telecom, investment

bankers believe domestic investors will be able to buy the shares more cheaply than foreign investors.

INTERNATIONAL EQUITY ISSUES

International equity offerings are also expected from the following:

■ Deutsche Bundespost Telecom, the German state telecom monopoly;

■ Telebras, the Brazilian state-controlled telecoms company;

■ Telecom Corporation of New Zealand (Ameritech and Bell Atlantic, two of the big US regional telephone companies, reduced their individual share holdings to 34.17 per cent each last year after an international equity offering) and a further offering is expected since the New Zealand government requires Ameritech and Bell Atlantic to reduce their com-

bined holdings to 49.9 per cent or less by September 1993;

■ Telekom Malaysia, which followed its privatisation in November 1990 with a convertible bond issue last March (with \$200m in bonds to be exchanged for 50m shares), may now be considering a tandem offer;

■ Nippon Telegraph and Telephone (NTT), the Japanese telecommunications utility, which foreigners may be permitted to buy a 20 per cent stake.

Telecom shares often appeal

to international investors for a variety of reasons: they are utilities which investors find easy to understand, they often enjoy a monopoly position at home and they tend to be among the largest capitalised stocks in the domestic market.

Fund managers often regard them as a suitable blue-chip substitute for the foreign stock market as a whole and capable

of providing a good income stream. Telecom companies in the lesser developed countries are often considered particularly attractive because of their growth potential.

"It's clear that an international telecom sector is building up, what with Mexico, New Zealand and the UK last year," said one banker.

The factors which can deter international investors are the regulatory environment and the management - especially if the bureaucrats dating from the period of state ownership remain in place.

Investment bankers point

out it can be difficult to provide a valuation, especially in countries plagued by hyperinflation and where the accounting principles do not follow international standards,

although such standards are increasingly becoming more widespread.

Spain prepares for largest Euroyen deal

By Simon London

SPAIN was last night preparing the ground for a Y150bn issue in the international bond market, with leading underwriting firms competing fiercely for the mandate.

The proposed 10-year deal,

INTERNATIONAL BONDS

which would be the largest Euroyen bond issue, is expected to be launched either this morning or tomorrow, if market conditions are favourable.

The current Euroyen benchmark at the 10-year maturity is the World Bank's Y50m issue, which was yesterday trading at a yield of 5.61 per cent.

Bulgaria, which has a AA-1 credit rating, one notch higher than Spain, also has a Y50m deal outstanding, trading at 5.75 per cent. Syndicate officials said yesterday that bonds issued by Spain should be priced to yield slightly more than US Treasury bonds, at the aggressive end of market expectations.

In common with other recent EIB issues, the deal was not

syndicated in the usual way. Just six other firms participated in the transaction at the invitation of the lead.

The fees paid to

underwriters by the EIB remained undisclosed, suggesting that the borrower had achieved a very low cost of funds by shaving underwriting costs to a minimum.

Three of the participants were Italian banks, underlining that the paper will be placed in Italy, where bonds issued by

the EIB are exempted from withholding tax.

The non-Italian firms in the deal reported some buying from Far Eastern and other institutional investors, but conceded that the appetite of Italian investors was crucial to the success of the deal at such a tight yield spread.

By the close the 7% per cent bonds were trading at 99.70 bid, from a fixed re-offer price of 99.76, where the yield spread was around 6 basis points over Treasury bonds.

NEW INTERNATIONAL BOND ISSUES

Borrower Amount m. Coupon % Price Maturity Fees Book runner

US DOLLARS

ESB/Alt. 600 7 1/2 99.788 1990

Suntomo Cement(a)(e) 180 8 100 1990

Creditanstalt Austria(b) 75 8 81.465 1990

MTI Finance (Curacao)(f) 50 7 100 2002

MBI Finance (Curacao)(f) 40 8 100 2007

Western Australia Treasury(a)(f)

National-Nederlanden(n)(f)

Westpac Banking Corp. 100 10 101.35 1997

Deutsche Bk Cap.Mkt. 100 10 101.30 1997

Swiss Francs

Kanematsu Corp.(f)(e) 220 8 101.45 1998

Otakai Seiko(f)(e) 20 8 100 1998

Nikko (

UK COMPANY NEWS

European plumbing awaits Wolseley touch

Angus Foster on the Midlands-based group's expansion plans after the Brossette buy

WHEN Wolseley, the Midlands-based heating and plumbing distributor, decided to investigate France, its two-man acquisition team prepared a short list of possible takeover candidates. Written beside Brossette, France's leading heating and plumbing supplier, was a single word: Bullseye.

Some 18 months later, and about six months after Brossette was put up for sale by the French company, Wolseley is paying FF730m (£30m) for the French company. The acquisition, to be paid partly in shares, will push Wolseley's market capitalisation over £900m.

It is a tidy deal. Brossette and Wolseley both mainly supply trade customers in their respective markets. Both rely on service and have started to introduce branded products. They have also invested heavily in computer systems to improve distribution.

Analysts are divided as to whether the takeover will accelerate Wolseley's earnings in the short term. Pre-tax profits are expected to remain static at £20m in the year to end-July, but most agree Wolseley now has the opportunity to extend its leadership of the UK and US markets to France, and possibly further into Europe.

Expansion, and the new European focus, add extra chips when Wolseley bargains about costs with its suppliers. Mr Jeremy Lancaster, chairman, says: "We genuinely don't think this will do much to our earnings stream over the next two or three years. But if we were talking in ten years time, I can't see how this can fail to add to our value."

Mr Lancaster joined Wolseley in 1961 when the company was mainly involved in manufacturing. As central heating increased in popularity in the



Jeremy Lancaster: This is not a fancy business

were already in continental Europe, or preparing European strategies. Wolseley wanted to move in tandem with these suppliers so it could remain on the same footing.

Brossette is a well-established company, with 176 branches throughout France. It is expected to announce pre-tax profits of at least FF101.4m for 1991, compared with the 260m operating profits made by Wolseley's UK distribution business.

The takeover will mirror Wolseley's US acquisitions. A

giant operation may be developed further.

"They have expanded rapidly in the last three or four years and they haven't yet got that sorted out, so I hope we can help them there."

Europe's markets for heating and plumbing supplies are diverse. Companies like Wolseley and Brossette have built leading positions in the UK and France, but the German and Spanish markets are more localised.

Although suppliers are thinking about the unified European market, there is still little cross-over among suppliers even for France and the UK. And standards on heating and plumbing equipment are not yet standardised.

As these markets become more integrated during the next 10 years, costs should come down and companies which depend on efficient distribution and service will be able to penetrate the more localised markets.

Lower costs will help lift Brossette's margins, which at 4 per cent fall below the 7 to 10 per cent Wolseley generates in the UK. The main reason for the difference is France's higher labour costs. Mr Lancaster hopes Brossette's margin will increase to about 6 per cent. But he admits this will take several years.

Wolseley's wider European strategy remains undecided. The company will obviously concentrate on Brossette in the immediate future before looking further afield. Brossette has already investigated opportunities in Spain.

"Spain is a more fragmented market as more business is done direct with the manufacturer. But specialisation will come because it is the best way to manage a market. As places like Spain develop, I think we can be the pioneers," Mr Lancaster says.

There will be some changes as the companies become familiar with each other's operations. Brossette is weak around Paris and a new Bel-

senior manager will join Brossette as Wolseley's contact man, but the French company will remain largely independent.

Mr Pierre Brossette is staying on as president, at least for the next few years. "We've made it very clear to the French we will never put an English guy in to run them," Mr Lancaster says.

There will be some changes as the companies become familiar with each other's operations. Brossette is weak around Paris and a new Bel-

senior manager will join Brossette as Wolseley's contact man, but the French company will remain largely independent.

Mr Peter Lewis, chairman, said: "Operating profit in UK plant hire fell from £2.95m to £1.8m in the half year to October 31, the whole reduction being attributable to the UK plant hire side."

However, the group finished the period with a strong balance sheet. Gearing was halved to 42 per cent. Net cash flow, excluding the rights issue, was £1.5m.

Mr Peter Lewis, chairman, said: "Operating profit in UK plant hire fell from £2.95m to £1.8m in the half year to October 31, the whole reduction being attributable to the UK plant hire side."

That came from turnover of £2.71m and compared with a profit of £1.55m on sales of £3.84m last time.

The success in reducing borrowings was reflected in interest charges down from £504,000 to £271,000.

Losses per share were 6.6p (6.4p).

NEWS DIGEST

Plant hire behind fall at Ashtead

ASHTEAD GROUP, the equipment rental combine, saw pre-tax profit slide by 51% to £1.5m in the half year to October 31, the whole reduction being attributable to the UK plant hire side.

However, the group finished the period with a strong balance sheet. Gearing was halved to 42 per cent. Net cash flow, excluding the rights issue, was £1.5m.

Mr Peter Lewis, chairman, said: "Operating profit in UK plant hire fell from £2.95m to £1.8m in the half year to October 31, the whole reduction being attributable to the UK plant hire side."

That came from turnover of £2.71m and compared with a profit of £1.55m on sales of £3.84m last time.

The success in reducing borrowings was reflected in interest charges down from £504,000 to £271,000.

Losses per share were 6.6p (6.4p).

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Howard Holdings, the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

Howard £211,000 in the red

Continuing depressed conditions in the construction industry, with particular reference to housebuilding and plant hire, led to Howard Holdings turning in a pre-tax loss of £211,000 for the half year to October 31.

UK COMPANY NEWS

Banks continue to support Lovell

By Andrew Taylor, Construction Correspondent

LY LOVELL Holdings, the UK housebuilder and property developer, yesterday announced that its bankers had agreed to continue to give financial support to the group.

The group warned in December that it was in breach of loan covenants affecting net worth and interest cover and that it was having talks with its banks over the future of its borrowing facilities.

Mr Robert Sellier, chief executive, said yesterday that the banks, led by Barclays, had agreed to maintain loan arrangements in return for security against the bulk of

Lovell's land bank and other assets.

Mr Sellier said that the banks had conducted a full financial appraisal and had been satisfied that there "were no black holes". The banks would look at the position again in 12 months time.

"They have been very fair and we are under no pressure to make disposals although our main intention will be to reduce borrowings," said Mr Sellier.

Net debt at the end of last September, including about £40m off-balance sheet borrowings, totalled £114m com-

pared with shareholders funds of about £70m.

"Our intention is to reduce gearing to 50 per cent. Obviously we will not be able to achieve that target in the current year, although debts are coming down," said Mr Sellier.

The group incurred a pre-tax loss of £20.3m in the year to September 30 compared with a profit of £19.4m in the previous 12 months. The latest figures included provision of £61.5m against housebuilding and property operations.

The group said in December when it announced the loss that it would be unable to pay

a final dividend. Last April, when launching a £31m rights issue, it had promised to maintain the dividend.

Mr Sellier said yesterday that there had been an increase in interest from potential house purchasers since the beginning of this year but that it was too early to say whether this marked the beginning of a recovery in the UK housing market.

Lovell's share price, following the announcement of a new agreement with the banks, yesterday rose 4p to 25p, compared with last year's rights issue price of 130p.

Maxwell lawyers risk clash with MPs

By Ralph Atkins

LAWYERS acting for Mr Kevin Maxwell and his brother Ian have risked a confrontation with MPs by refusing again to answer questions sent by the Commons' committee investigating the raiding of Maxwell companies' pension funds.

In a letter sent to the social security committee, lawyers for the brothers have refused to allow even written responses to the MPs' questions — in spite of indications that they might.

Their decision could prompt MPs to call for a full Commons debate on the Maxwells' apparent defiance of Parliament's

authority — although many MPs may be anxious to avoid political rows so close to the general election.

Last month, when the brothers appeared before the committee, their lawyers said they had a "precious constitutional right and a historic one" to remain silent.

The committee is trying to prevent the further abuse of pension funds. But the Maxwells' lawyers have repeatedly referred to the possibility of their clients facing legal action and similar arguments are believed to have been used in their letter to the committee.

Trustees of all the Maxwell pension funds, including the Maxwell brothers, were given two weeks to reply to 70 questions on the Maxwell pension fund raids by the cross-party committee.

The questionnaire asked how much was missing from each pension fund, when the trustees became aware it had gone, and how it disappeared. Trustees were also asked if they were party to the signing of any transfer of funds.

About 50 questionnaires were sent by the MPs. Most have now replied and their answers are expected to be

published by the Commons shortly.

The committee, chaired by Mr Frank Field, the Labour MP for Birkenhead, will meet soon to decide its response to the Maxwells' continuing refusal to answer questions and whether to recommend further action.

The Maxwell brothers' lawyers had previously indicated that written answers to the MPs' questions may be possible. But they suggested guarantees would be required to ensure that the information would not be made public until the risk of prejudicing any trial had passed.

Separately, Mr David Shaw MP said that the Mirror Group Newspapers Pension Fund appeared to have no minutes of meetings of its investment committee at which decisions about stock lending or self-investment should have been discussed. He noted that minutes of one meeting on September 2 1991, showed that Mr Robert Maxwell discussed sending a letter to Invesco MIM, fund manager for a portion of the pension fund, reassuring the company about stock lending activities.

On the subject of self-investment, Mr Ian Pittaway, solicitor to the MGN pension scheme, said that he periodically reminded the trustees of the Occupational Pensions Board's recommendation that self-investment should not exceed 10 per cent of total investments.

By April 1990, more than half the MGN pension fund's 20 largest investments were in some way connected to Mr Robert Maxwell or his private interests.

Further findings of the accountants included the inability to locate supporting documents for a number of payments and that the terms of an agreement with IBI Holding Company, a Maxwell-related company, were verbally changed after its signing. The investment administration and accounting departments were not informed of the change.

company pension funds. They included an absence of regular review of fees generated by stock lending activities and the failure to ensure that stock lent had proper collateral. The accountants recommended that RHM document its stock lending activities and regularly review the value of collateral.

They also found that shares bought by the pension funds from two other Maxwell-owned companies, Maxwell Communication Corporation and Pergamon Media Trust, remained in the name of their former owners.

Further findings of the accountants included the inability to locate supporting documents for a number of payments and that the terms of an agreement with IBI Holding Company, a Maxwell-related company, were verbally changed after its signing. The investment administration and accounting departments were not informed of the change.

Separately, Mr David Shaw MP said that the Mirror Group Newspapers Pension Fund appeared to have no minutes of meetings of its investment committee at which decisions about stock lending or self-investment should have been discussed. He noted that minutes of one meeting on September 2 1991, showed that Mr Robert Maxwell discussed sending a letter to Invesco MIM, fund manager for a portion of the pension fund, reassuring the company about stock lending activities.

On the subject of self-investment, Mr Ian Pittaway, solicitor to the MGN pension scheme, said that he periodically reminded the trustees of the Occupational Pensions Board's recommendation that self-investment should not exceed 10 per cent of total investments.

By April 1990, more than half the MGN pension fund's 20 largest investments were in some way connected to Mr Robert Maxwell or his private interests.

Further findings of the accountants included the inability to locate supporting documents for a number of payments and that the terms of an agreement with IBI Holding Company, a Maxwell-related company, were verbally changed after its signing. The investment administration and accounting departments were not informed of the change.

Accountants knew of fund manager deficiencies

By Norma Cohen, Investments Correspondent

ACCOUNTANTS to Bishopsgate Investment Management, the pension fund manager owned by Mr Robert Maxwell, found serious control weaknesses and deficiencies as early as February 1991. These included the absence of controls on stock lending and the failure to record investments in the name of the pension fund.

In testimony before the Parliamentary Select Committee on Social Security, officials at Coopers & Lybrand Deloitte said that despite the deficiencies, they saw no need to qualify the accounts for BIM nor did they feel it was their responsibility to report the shortcomings to regulators or to the fund's trustees individually. Copies of their management report were sent solely to the pension fund manager.

In a copy of a February 1991 management letter submitted to the Select Committee, Coopers & Lybrand Deloitte detailed a number of serious shortcomings in the way BIM managed the Maxwell

company pension funds. They included an absence of regular review of fees generated by stock lending activities and the failure to ensure that stock lent had proper collateral. The accountants recommended that RHM document its stock lending activities and regularly review the value of collateral.

They also found that shares bought by the pension funds from two other Maxwell-owned companies, Maxwell Communication Corporation and Pergamon Media Trust, remained in the name of their former owners.

Further findings of the accountants included the inability to locate supporting documents for a number of payments and that the terms of an agreement with IBI Holding Company, a Maxwell-related company, were verbally changed after its signing. The investment administration and accounting departments were not informed of the change.

Separately, Mr David Shaw MP said that the Mirror Group Newspapers Pension Fund appeared to have no minutes of meetings of its investment committee at which decisions about stock lending or self-investment should have been discussed. He noted that minutes of one meeting on September 2 1991, showed that Mr Robert Maxwell discussed sending a letter to Invesco MIM, fund manager for a portion of the pension fund, reassuring the company about stock lending activities.

On the subject of self-investment, Mr Ian Pittaway, solicitor to the MGN pension scheme, said that he periodically reminded the trustees of the Occupational Pensions Board's recommendation that self-investment should not exceed 10 per cent of total investments.

By April 1990, more than half the MGN pension fund's 20 largest investments were in some way connected to Mr Robert Maxwell or his private interests.

Further findings of the accountants included the inability to locate supporting documents for a number of payments and that the terms of an agreement with IBI Holding Company, a Maxwell-related company, were verbally changed after its signing. The investment administration and accounting departments were not informed of the change.

WE'RE PART OF THE LANGUAGE IN EUROPE

An industrial group has acquired 100% of the equity of

LABORATORIOS RADIO, S.A.

from

GRUPO ELECTROLUX

The undersigned arranged and provided the financing

MIDLAND BANK plc
Sucursal en España

SAMUEL MONTAGU & CO. LIMITED
Specialised Financing

As an international group, we specialise in the structuring and underwriting of senior and mezzanine debt facilities across Europe. Through our network, clients can draw on the knowledge and local expertise of experienced financial specialists in all the major European centres, each providing an innovative approach to debt financing structures, both cross border and domestic. Our track record speaks for itself. Examples include our involvement in the first

privatisations by way of Management Buy-outs, leveraged buy-outs, recapitalisations, takeovers and other forms of corporate finance. We also have experience in the financing of leveraged buy-outs, agency and the underwriting of debt loans for one of the largest European conglomerates.

If you would like to let us know your requirements for your next financing please contact us on (71) 260 9222.

SAMUEL MONTAGU & CO. LIMITED
SPECIALISED FINANCING

GPG takes 16% stake in Australian Consolidated

By Kevin Brown in Sydney

GPG, the London-based investment company managed by Sir Ron Briarley, the New Zealand entrepreneur, yesterday said it had acquired just over 16 per cent of the shares of Australian Consolidated Investments.

The announcement fuelled speculation that GPG would bid for ACL which owns 50 per cent of National Brewing Holdings, formerly the brewing arm of Mr Alan Vannier, head of the group's French company.

Mrs Vannier, now 42 and one of the most trusted associates of Mr Alan Sugar, Amstrad's chairman, resigned as president-directeur general of the French subsidiary and from the board of Amstrad late last week.

She had run Amstrad France for 10 years and had been established as one of France's best known businesswomen. Until recently, Amstrad France was the UK electronics concern's most important overseas subsidiary.

However, ACL is in the process of selling its share in Weeks Petroleum, an Australian oil company which has royalty rights over oil produced by Broken Hill Proprietary from the Bass Strait, off Australia's south coast.

Analysts said GPG might seek to prevent ACL disposing of its two principal assets by bidding for the group, which is capitalised at about £130m. ACL has also attracted interest from Nycal, a US oil company which has said it expects to make an announcement shortly.

Gulf Resources and Chemical Corporation, a Nycal subsidiary, said recently that it had tried to acquire an interest in Weeks' Bass Strait subsidiary.

ACL, formerly Bell Resources, was once a listed vehicle for Mr Robert Holmes à Court, the entrepreneur who died in 1990.

ICL to cease production of CFCs in the UK

By Ronald van de Krol in Amsterdam

ICHIOMONTE, Italy's chemicals group, is to phase out production of the two main ozone-depleting chlorofluorocarbons (CFCs) in 1993 and buy in supplies from Akzo of the Netherlands to satisfy rapidly declining demand.

Also announced yesterday that it had agreed with ICI that the two companies would concentrate their European production of CFCs 11 and 12 at the Dutch company's plant in Weert, near Maastricht.

The agreement, already approved by the UK and Dutch authorities, has been submitted to the European Commission in Brussels for approval. It marks the first time that two European companies have set up a "community of production" envisaged in the Montreal Protocol, which calls for worldwide industrial rationalisation as a means of reducing CFC production.

In 1993, ICI will halt production of CFCs 11 and 12 at its plant in Runcorn, Cheshire, where it also produces CFC alternatives. ICI said it hoped the effect on employment would be neutral because of the launch of production of alternative substances.

The Runcorn site is ICI's only wholly-owned CFC plant. Besides its Weert factory, Akzo also has a small plant in Australia.

Permission from the EC is required because the concentration of the two groups' European CFC production in the Netherlands will lead to a temporary rise in output in Weert. This will fall as demand for CFCs declines.

Head of Amstrad's French connection calls it a day

By Alan Cane

AMSTRAD, the UK-based consumer electronics group which slipped into the red for the first time last year through the recession and the hiatus in the personal computer market, suffers a fresh blow today with the departure of Mrs Marion Vannier, head of the group's French company.

Mrs Vannier, now 42 and one of the most trusted associates of Mr Alan Sugar, Amstrad's chairman, resigned as president-directeur general of the French subsidiary and from the board of Amstrad late last week.

She had run Amstrad France for 10 years and had been established as one of France's best known businesswomen. Until recently, Amstrad France was the UK electronics concern's most important overseas subsidiary.

However, ACL is in the process of selling its share in Weeks Petroleum, an Australian oil company which has royalty rights over oil produced by Broken Hill Proprietary from the Bass Strait, off Australia's south coast.

Analysts said GPG might seek to prevent ACL disposing of its two principal assets by bidding for the group, which is capitalised at about £130m. ACL has also attracted interest from Nycal, a US oil company which has said it expects to make an announcement shortly.

Gulf Resources and Chemical Corporation, a Nycal subsidiary, said recently that it had tried to acquire an interest in Weeks' Bass Strait subsidiary.

Gulf Resources and Chemical Corporation, a Nycal subsidiary, said recently that it had tried to acquire an interest in Weeks' Bass Strait subsidiary.

ACL, formerly Bell Resources, was once a listed vehicle for Mr Robert Holmes à Court, the entrepreneur who died in 1990.

ICL to cease production of CFCs in the UK

By Ronald van de Krol in Amsterdam

ICHIOMONTE, Italy's chemicals group, is to phase out production of the two main ozone-depleting chlorofluorocarbons (CFCs) in 1993 and buy in supplies from Akzo of the Netherlands to satisfy rapidly declining demand.

Also announced yesterday that it had agreed with ICI that the two companies would concentrate their European production of CFCs 11 and 12 at the Dutch company's plant in Weert, near Maastricht.

The agreement, already approved by the UK and Dutch authorities, has been submitted to the European Commission in Brussels for approval. It marks the first time that two European companies have set up a "community of production" envisaged in the Montreal Protocol, which calls for worldwide industrial rationalisation as a means of reducing CFC production.

In 1993, ICI will halt production of CFCs 11 and 12 at its plant in Runcorn, Cheshire, where it also produces CFC alternatives. ICI said it hoped the effect on employment would be neutral because of the launch of production of alternative substances.

The Runcorn site is ICI's only wholly-owned CFC plant. Besides its Weert factory, Akzo also has a small plant in Australia.

Permission from the EC is required because the concentration of the two groups' European CFC production in the Netherlands will lead to a temporary rise in output in Weert. This will fall as demand for CFCs declines.

Dividends shown pence per share net except where otherwise stated. Total capital increased by rights and/or acquisition issues. \$USM stock includes special 0.45.

dom and excitement of the company's early days when she ran the French operation from a tiny office above a boulangerie on Sevres main road and when Mr Sugar allowed her *laissez faire* in almost every aspect of company policy.

She said yesterday: "I built the company up from nothing and I have given it my best. Now the rules have changed and the management is different. Decision making is becoming centralised in the UK."

Furthermore, many of Amstrad's new products — simple dishes, for example — are not suited to the French market.

Games computers, an area from which Amstrad is withdrawing, were particularly strong in the French market.

Divorced with a young family, Mrs Vannier sold her 500,000 Amstrad shares last year at 40p a share to cover the company said, personal expenses.

During 1991 Mr Sugar appointed Mr Bernard Steiner, formerly of Sansui Electronics, to take charge of sales and marketing in mainland Europe and Australia. Mr Steiner has now formally taken responsibility for managing Amstrad France.

The controversy is likely to be revived shortly when the latest set of results from the Canadian studies are published. Doctors expect to repeat the findings first published last year.

The CSM report says "the evidence does not suggest that the use of beta agonists is associated with asthma mortality". It found that the death rate per 100

FT LAW REPORTS

Damages claim is validly assigned

LINDEN GARDEN TRUST LTD v LENESTA SLUDGE DISPOSALS LTD AND OTHERS

ST MARTINS PROPERTY CORPORATION LTD AND ANOTHER v SIR ROBERT MCALPINE & SONS LTD Court of Appeal

(Lord Justice Nourse,
Lord Justice Stautham
and Sir Michael Kerr):
February 13 1992

A PROHIBITION on assignment by an employer of "this contract" without the contractor's consent under the JCT form of building contract invalidates assignment of the benefit of the contract without consent, but does not prevent assignment of non-personal rights arising under the contract, including accrued rights to substantial damages for defective work.

The assignee can therefore claim for causes of action arising before assignment, including those in respect of which the assignee himself suffered loss after assignment, irrespective of whether the assignor transferred his proprietary interest in the premises before assigning his rights under the contract.

But if the assignment is ineffective in that no assignable rights have accrued by assignment date, the assignor is entitled to damages as against the contractor for loss incurred by the need to indemnify the assignee for expenses paid in respect of the contractor's breach.

The Court of Appeal so held when allowing consecutive appeals from decisions by Judge John Lloyd QC and Judge Bowsher QC respectively, on preliminary issues in actions by Linden Garden Trust Ltd against building contractors Lenesta Sludge Disposals Ltd, McLaughlin & Harvey plc and Ashwell Construction Co Ltd; and by St Martins Property Corporation Ltd against contractors Sir Robert McAlpine & Sons Ltd. An appeal by the second plaintiffs in the second action, St Martins Property Investments Ltd, was dismissed.

LORD JUSTICE STAUGHTON said that in both the Linden and the St Martins cases, building works were carried out under a contract with somebody who had a pro-

prietary interest in the building when the contract was made.

The original employers transferred their interest in the building to others, and also purported to assign the building contracts.

The contracts, on Joint Contracts Tribunal (JCT) forms, contained a term in clause 17 that the employers would not assign "this contract" without the contractor's consent. Consent was never obtained.

In the Linden case only Linden was assigned sued in the St Martins case the assignors (Corporation) and the assignees (Investments) sued.

In both cases preliminary issues were tried.

In the Linden case Judge John Lloyd QC held there was no valid assignment of the benefit of the contract and that neither the assignor nor assignee had a valid claim for damages other than nominal damages.

The plaintiffs in both cases appealed.

It was necessary to distinguish between novation, assignment and sub-contracting. (a) Novation was the process by which a contract between A and B was transformed into a contract between A and C. It could only be achieved by agreement between all three. (b) Assignment was the transfer from B to C of the benefit of obligations A owed to B. (c) Subcontracting had been called vicarious performance. In clause 17 "assign this contract" prohibited vicarious performance without consent, but did not prohibit assignment by the employers of the benefit of the contract, or part of it.

Where a plaintiff's initial loss had subsequently been made good by someone other than himself, the general rule was that he could recover only nominal damages. But there were exceptions. In the case of damage to a building which was later sold, there was no rule of law that the damages must necessarily be nominal.

In the Linden case the assignors had an accrued cause of action against contractors for £22,305 by assignment date on January 14 1987. That claim was validly assigned. Further breaches were later discovered.

giving rise to £236,000 loss. The assignors acquired a cause of action for those defects dating from 1980 and 1988.

After assignment Linden became entitled to enforce the claim. It was immaterial that it subsequently incurred the expense of remedial work.

In the St Martins case, on March 25 1986, when Corporation executed an assignment in favour of Investments there was no existing cause of action. Corporation by the assignment transferred to Investments the contractual right to have the building properly constructed. Investments could sue for breach.

On the hypothesis that Investment's claim failed, it seemed to have been fairly within the contractors' contemplation that if they failed to construct the building properly that would cause loss to Corporation. By that route, substantial damages would be recovered by Corporation.

It made no practical difference which of the two companies succeeded, and since Lord Justice Nourse and Sir Michael Kerr considered Corporation's appeal should succeed, his Lordship did not dissent from an order to that effect.

SIR MICHAEL KERR said to speak of "assigning a contract" was strictly a misnomer since contractual obligations could not be assigned in the sense of parting with the burden of performance, without the other party's consent. An "assignment of a contract" could only take place as a novation.

Assignment of a right to call for performance of an obligation was permissible in relation to a non-personal contract which contained no prohibition against assignment.

Building contracts might or might not be personal. In the present case the question was one of the St Martins assignment, he agreed with Sir Michael Kerr.

For Linden: Anthony Speight (Jacobs & Lewis).

For McLaughlin: Justin Fenwick (Masons).

For Ashwell: Ellis Meyer (Porter and Jasch).

For Corporation and Investments: Humphrey Lloyd QC and David Westcott (Stephenson Harwood).

For McAlpine: Richard Farquharson QC and Marcus Turner (Glovers).

Lenesta Sludge were not represented.

In the Linden case the breaches took place before assignment. The prohibition against assignment did not pre-

vent assignment of the accrued claim. To that extent the assignment was effective. It made no difference that the assignors had transferred the premises before assigning their rights under the contract. They retained their rights against the defendants and could assign them later.

There was no problem about Linden's right to recover £22,305 spent by the assignors in remediating the original breach. But Linden were also *per se* entitled to recover £236,000 which they themselves spent in remediating other breaches committed prior to assignment.

Linden's appeal should be dismissed.

In the St Martins case at time of assignment no breach had accrued and no cause of action had vested. Corporation therefore had nothing to assign other than the benefit of the contract, i.e. the right to have the contract performed or - loosely speaking - the contract itself.

The express prohibition precluded such assignment without consent. The assignment was invalid.

Investment's appeal should be dismissed.

Corporation remained the contracting party *vis-à-vis* the contractors, with their rights unimpaired. But, it was said, they could only recover nominal damages.

That was not correct.

Corporation suffered loss because they were liable to indemnify Investments for £236,000 spent by Investments in remediating damage caused by the contractors' breach.

Corporation's appeal was allowed.

LORD JUSTICE NOURSE agreed with Lord Justice Stautham, but on the one point of difference, relating to validity of the St Martins assignment, he agreed with Sir Michael Kerr.

For Bowsher: Anthony Speight (Jacobs & Lewis).

For McLaughlin: Justin Fenwick (Masons).

For Ashwell: Ellis Meyer (Porter and Jasch).

For Corporation and Investments: Humphrey Lloyd QC and David Westcott (Stephenson Harwood).

For McAlpine: Richard Farquharson QC and Marcus Turner (Glovers).

Lenesta Sludge were not represented.

In the Linden case the breaches took place before assignment. The prohibition against assignment did not pre-

KIDSONS
IMPEY

FINANCIAL TIMES
LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

TAX PLANNING FOR A CHANGE OF GOVERNMENT

The period before a general election is one of the most difficult for both personal and corporate tax planning. How will the policies of the different political parties affect you and what can you do to pre-empt any possible changes?

The Financial Times and the Partners of Kidsons Impey Chartered Accountants together with the Directors of Kidsons Impey Search & Selection Limited, invite you to attend a breakfast seminar, free of charge covering the following:

- the publicly revealed proposals from the three major political parties
- their likely effect on you and your business
- the suggested planning action that you should take.

SPEAKER TIM GOOD

Journalist, well known tax specialist, trainer of tax professionals as well as a lively, amusing speaker - Tim communicates particularly well with non tax specialists - An event not to be missed!

Places for the seminar are limited. If you wish to attend, please complete the coupon or attach your business card and send to:

FT/KI Seminar, The Counsel House
3 Parkside, Ravenscourt Park,
London W6 0UD. Those allocated a
place will be sent a confirmation letter.

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

E.A.O.:
ALL Managing Directors,
CEO's, Finance Directors
and Tax Managers

BREAKFAST SEMINAR

DATE: Wednesday 4 March 1992
TIME: 8.15am - 9.30am
PLACE: Kidsons Impey
Spectrum House
20/26 Curzon Street
London EC4A 1HY

TAX PLANNING FOR A CHANGE OF GOVERNMENT

I wish to attend the above seminar.
Please send me confirmation that
a place is available.

I am unable to attend the seminar but
would like a free information pack
containing speaker's notes.

Name _____

Position _____

BUSINESS NAME AND ADDRESS _____

Tel No. _____

Fax No. _____

KIDSONS
IMPEY

CHARTERED ACCOUNTANTS

Bond Futures Fax - FREE 2 week trial
from Chart Analysis Ltd
7 Swallow Street, London W1R 7HD, UK
Tel: 071-334 7174
Fax: 071-439 4966

SATQUOTE
THE COST EFFECTIVE REAL-TIME PRICE INFORMATION SERVICE
* FX * EQUITIES * FUTURES & OPTIONS *
* BONDS * ECONOMIC NEWS *
CALL + LONDON (071) 329 3377 - FRANKFURT (069) 639125

...Y ... S ... E ... DM ...
IF YOU HAVE A VIEW, TAKE A POSITION
CONTACT ADRIAN FRANCIS ON 071-245 0000
ECU Futures Plc, 39 Chancery Lane, SW1X 9IL
Dealing from 8.00 am to 9.15 pm

THE FINANCIAL BOOKMAKERS
FAX: 081-587 02855 Mar 32892884
WALL ST. Call now on 071-587 7253 or write to us at: 9-1 Grosvenor Gardens, London SW1W 0BD for your free Catalogue which gives details on how to speculate TAX FREE on over 80 world currency markets.

Portfolio Manager

Based Scotland

They require an experienced individual who will be responsible for managing American equity portfolios on behalf of both wholesale and retail clients. You should have several years' experience of U.S. equities and demonstrate a good track record of portfolio management. The ability to plan and develop your own work, articulate investment views and demonstrate sound judgement in investment decision making is essential.

A competitive salary and benefits package is offered and will be determined by your experience, knowledge and skills.

To apply, please write in complete confidence, enclosing a comprehensive C.V., marking the envelope with the reference PM/FT/92, to Barkers Selection, 234 West George Street, Glasgow G2 4CY.

Applications will be forwarded to our client. Please list separately any organisation to whom your details should not be sent.

BARKERS
CONFIDENTIAL REPLY SERVICE

BRITISH MERCHANT BANKING AND SECURITIES HOUSES ASSOCIATION (BMBA)

SENIOR EXECUTIVE

The BMBA, which represents the interests of the leading firms in the securities industry, has a vacancy for a senior executive.

The successful candidate will either have had direct experience as a practitioner or will have extensive knowledge of the legislative and regulatory framework, both domestic and international. He or she will need good communication skills; some knowledge of European languages would also be an advantage.

Remuneration, and normal banking benefits, will depend on experience and qualifications, but will reflect the importance of the post.

Applications (marked "Personal") should be sent, with a full curriculum vitae, to:

The Director-General, BMBA
6 Frederick's Place
London EC2R 8BT

All applications will be treated in complete confidence.

APPOINTMENTS ADVERTISING

appears every
Wednesday & Thursday &
Friday (International edition only)

PENSIONS MANAGER

Central London

£840,000 + Car

The Company provides a key service to its customers, is highly profitable, and has a turnover in excess of £1 billion coupled with a newly focussed commercial culture which paves the way for outstanding future prospects.

Over the last few years, the pension scheme, currently over £500 million in value, has performed well in comparison with other pension funds and against the Company's own target.

Reporting to the Finance Director, your prime objective will be the continuous formulation, implementation and co-ordination of pensions policy and strategy in order to meet corporate objectives.

To meet this challenge you will be a talented, professional manager who has gained significant and relevant experience in a senior role, complimented by appropriate qualifications and excellent communication, presentation, leadership and diplomatic skills.

In return, you will enjoy an attractive remuneration package including a full range of benefits.

To apply, please forward your curriculum vitae, in confidence, quoting reference BBO160 to Brian Burgess at the address below.

burgess chapman
& PARTNERS
SEARCH & SELECTION
17 The Green, Richmond, Surrey TW9 1PX
Telephone: 081-332 6677 Fax: 081-332 2249

STRUCTURED FINANCING

Summit Briggs Evans Limited is one of the leading arrangers of UK and Cross Border leases and other structured financings with complex tax and accounting considerations. Over the last 12 months, we have originated, structured and placed over £500 million of such transactions for many of the UK's leading companies and financial institutions.

We now wish to recruit an additional technically creative individual who possesses outstanding computer modelling and financial optimisation skills. The role will encompass the modelling of complex dynamic transactions, using Lotus 3.0 or 3.1, in support of a team of experienced negotiators and structures with accounting, legal and evaluation skills.

Suitable applicants are likely to be mathematics or science graduates with an in-depth knowledge of numerical analysis. Applicants should have at least two years' relevant post graduate experience with a Merchant Bank or similar financial institution.

The total compensation package includes a competitive salary, performance related bonus and other attractive benefits.

Interested candidates should write with full personal and career details to Evelyn Markus, Summit Briggs Evans Limited, 84 St Katharine's Way, London E1 9YS.

All applications will be treated in the strictest confidence.

Summit Briggs Evans is part of The Summit Group PLC
whose institutional shareholders include GEC Marubeni Corporation
and a number of leading financial institutions.

EQUITY SALES

We are acting for a number of clients who are seeking to strengthen their teams selling UK/European equities to UK/European institutional clients, by recruiting highly motivated professionals who can make an immediate contribution to profitability. Candidates for these positions must therefore have a successful record in generating significant revenue.

Attractive packages (including bonus) will be offered to those fulfilling these requirements.

For further information please call Martin Symon or Ruth Neilson on 071-623 1266

Jonathan Wren & Co Limited, Financial Recruitment Consultants
No 1 New Street, London EC2A 4EP Tel: 071-623 1266 Fax: 071-623 5229

JONATHAN WREN

Please forward

COMMODITIES AND AGRICULTURE

Japanese win coal price cut

By Gerard McCloskey

AUSTRALIAN COAL exporters have been forced for the second year in succession, to accept a price cut for steam coal shipments to Japan. The new price - for deliveries in the 1992-1993 financial year - is US\$68.50 a tonne, for Australia's 95 cents down from the current year.

Australia is the key supplier of both steam coal, largely used for electricity generation, as well as coking coal for the Japanese steel mills.

The contract was set up by Chubu Electric Power, the lead negotiator for the Japanese utilities, with the Queensland coal producer MIM and Ulan and Drayton of New South Wales. While the Australians may express some disappointment with the price fall, it could have been much worse. A recent spot tender from Scottish Power was awarded for Australian coal of this quality at \$31 a tonne.

These prices will flow on to some 17m tonnes of Australian coal burned in Japanese power stations as well as setting the Australian price for Taipower in Taiwan and South Korea's Kepco.

The one small gain claimed by one of the major steam coal producers last week was that the price reduction was less -

albeit marginally - than the \$1 cut for semi-soft coking coal. It is from excess coking coal, however, that the steam coal market is now threatened.

This year's Japanese steel mill settlements saw a 10 per cent cut in tonnage from Australian and Canada for hard coking coal and much bigger cuts for soft coking coal. As these coals can readily double up as very high quality steam coals and as many existing mines are planning extensive expansions in output, for example, Australia's biggest producer, BHP-Utsu, alone is lifting production by 7m tonnes to 38m tonnes over the next few years, there is a danger that unbought coking coals, combined with expanding steam coal production, could swamp the market.

UK coal imports in 1991 rose to 19.5m tonnes from 14.7m tonnes in 1990. Steam coal imports - rose by 56 per cent to 9.3m tonnes. Of this 6.3m tonnes went to Liverpool, largely for Powergen's Fiddlers Ferry station (1.3m tonnes compared with 700,000 tonnes the previous year) and the Thames power stations of West Thurrock and Tilbury (both National Power) and Kingsnorth (PowerGen).

Coffee prices tumble

ARABICA COFFEE prices tumbled in New York in early trading yesterday to the lowest levels for 17 years as traders returned from the Presidents' Day holiday, writes David Blackwell. At midday the nearby contract was off 2.5 cents to \$6.50 cents a lb.

The London robusta market also closed sharply down, with the second position contract shedding a further \$23 to a new low of \$86.10 a tonne.

Mr Lawrence Eagles, analyst with GNL the London futures brokers, said that most market watchers were now revising upwards their crop forecasts for this year. Last week Colombia, the second biggest producer, revised its estimate for

the 1991-92 crop up from 16m bags (60 kg each) to 16.7m bags, another record.

"The only thing that can push prices up now is a crop disaster or an international Coffee Organisation accord," said Mr Eagles.

He said the shortfall was caused by producers' refusal to sell raw sugar to the state because they were waiting for prices to rise. They had sold their raw sugar to private markets instead. Mr Alexei Uluyakov, an adviser to the Russian government, said earlier this week the government was considering liberalising sugar and vegetable oil, two commodities which are in particularly short supply in the shops.

Stop-loss selling by funds and commission houses are pushing New York into a bottomless pit," one trader said. "Eventually it will reach such a level that producers will be forced into action."

Earlier this month an ICO working party failed to agree on any move towards re-establishing a coffee pact with economic clauses. The ICO export quota system collapsed in July 1989.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market, min. 99.99 per cent, \$ per tonne, in warehouse, 1,630-1,720 (same).

BISMUTH: European free market, min. 99.99 per cent, \$ per tonne, tons lots in warehouse, 2,803-3,207 (same).

CADMIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 85.8-10 (85.8-1.5).

COBALT: European free market, 99.5 per cent, \$ per lb,

Raw sugar shortage hits Russian refineries

By Leyla Boulton in Moscow

THE RUSSIAN authorities said yesterday sugar refinery output had reached a historic low but that relief was on its way in the form of imports from Cuba and France.

Mr Vasili Severin, head of the sugar production department at the Russian agriculture ministry, told *Itar-Tass* that only four of 95 refineries were functioning because of a shortfall of raw sugar. He said refineries had last year received only 4m tonnes of the 7.5m tonnes of raw sugar they were supposed to receive under the state plan.

His deputy, Mr Anatoly Khudulin, said that the "situation with sugar was serious" and that supplies would be worse this year than last. But he added that some more plants would be opened in March to process imported supplies. Mr Severin said the first shipments would arrive from Cuba and France in late February.

Predicting a state trading body, it was talking with more potential suppliers but declined to give details.

Mr Boris Orlow, head of the government's department for agricultural products, said that sugar refiners were a seasonal process and that only a few more refineries would be open at this time of year again. "The plants usually function for three to four months starting in September," he said. Russia requires 7m tonnes of raw sugar this year, some of which would materialise only this autumn.

He said the shortfall was caused by producers' refusal to sell raw sugar to the state because they were waiting for prices to rise. They had sold their raw sugar to private markets instead. Mr Alexei Uluyakov, an adviser to the Russian government, said earlier this week the government was considering liberalising sugar and vegetable oil, two commodities which are in particularly short supply in the shops.

Stop-loss selling by funds and commission houses are pushing New York into a bottomless pit," one trader said. "Eventually it will reach such a level that producers will be forced into action."

Earlier this month an ICO working party failed to agree on any move towards re-establishing a coffee pact with economic clauses. The ICO export quota system collapsed in July 1989.

Turnover: 6,682 (1991) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne), daily average for Feb. 18 - (\$65.10).

Turnover: 76 (1991) lots of 20 tonnes.

LIVE MARKETS SPOT MARKETS (As at Monday's close)

tonnes

Aluminium +2,200 to 1,070,176

Copper -460 to 305,500

Lead -125 to 131,575

Nickel +540 to 16,254

Steel +5,275 to 16,252

Tin +120 to 12,220

kg WO, cif 56-66 (same).

VANADIUM: European free market, min. 99.99 per cent, \$ per lb, in flask, in warehouse, 115-125 (115-130).

MOLYBDENUM: European free market, drummed molybdenum oxide, per lb Mo, in warehouse, 2,203-2,27 (same).

SELENIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 4.80-5.40 (4.80-1.5).

TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit (10

kg) WO, cif 56-66 (same).

URANIUM: European free market, min. 99.9 per cent, \$ per lb, in flask, in warehouse, 1,630-1,720 (same).

Turnover: 6,682 (1991) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne), daily average for Feb. 18 - (\$65.10).

Turnover: 76 (1991) lots of 20 tonnes.

LIVE MARKETS SPOT MARKETS (As at Monday's close)

tonnes

Aluminium +2,200 to 1,070,176

Copper -460 to 305,500

Lead -125 to 131,575

Nickel +540 to 16,254

Steel +5,275 to 16,252

Tin +120 to 12,220

kg WO, cif 56-66 (same).

VANADIUM: European free market, min. 99.99 per cent, \$ per lb, in flask, in warehouse, 115-125 (115-130).

MOLYBDENUM: European free market, drummed molybdenum oxide, per lb Mo, in warehouse, 2,203-2,27 (same).

SELENIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 4.80-5.40 (4.80-1.5).

TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit (10

kg) WO, cif 56-66 (same).

URANIUM: European free market, min. 99.9 per cent, \$ per lb, in flask, in warehouse, 1,630-1,720 (same).

Turnover: 6,682 (1991) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne), daily average for Feb. 18 - (\$65.10).

Turnover: 76 (1991) lots of 20 tonnes.

LIVE MARKETS SPOT MARKETS (As at Monday's close)

tonnes

Aluminium +2,200 to 1,070,176

Copper -460 to 305,500

Lead -125 to 131,575

Nickel +540 to 16,254

Steel +5,275 to 16,252

Tin +120 to 12,220

kg WO, cif 56-66 (same).

VANADIUM: European free market, min. 99.99 per cent, \$ per lb, in flask, in warehouse, 115-125 (115-130).

MOLYBDENUM: European free market, drummed molybdenum oxide, per lb Mo, in warehouse, 2,203-2,27 (same).

SELENIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 4.80-5.40 (4.80-1.5).

TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit (10

kg) WO, cif 56-66 (same).

URANIUM: European free market, min. 99.9 per cent, \$ per lb, in flask, in warehouse, 1,630-1,720 (same).

Turnover: 6,682 (1991) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne), daily average for Feb. 18 - (\$65.10).

Turnover: 76 (1991) lots of 20 tonnes.

LIVE MARKETS SPOT MARKETS (As at Monday's close)

tonnes

Aluminium +2,200 to 1,070,176

Copper -460 to 305,500

Lead -125 to 131,575

Nickel +540 to 16,254

Steel +5,275 to 16,252

Tin +120 to 12,220

kg WO, cif 56-66 (same).

VANADIUM: European free market, min. 99.99 per cent, \$ per lb, in flask, in warehouse, 115-125 (115-130).

MOLYBDENUM: European free market, drummed molybdenum oxide, per lb Mo, in warehouse, 2,203-2,27 (same).

SELENIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 4.80-5.40 (4.80-1.5).

TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit (10

kg) WO, cif 56-66 (same).

URANIUM: European free market, min. 99.9 per cent, \$ per lb, in flask, in warehouse, 1,630-1,720 (same).

Turnover: 6,682 (1991) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne), daily average for Feb. 18 - (\$65.10).

Turnover: 76 (1991) lots of 20 tonnes.

LIVE MARKETS SPOT MARKETS (As at Monday's close)

tonnes

Aluminium +2,200 to 1,070,176

Copper -460 to 305,500

Lead -125 to 131,575

Nickel +540 to 16,254

Steel +5,275 to 16,252

Tin +120 to 12,220

kg WO, cif 56-66 (same).

VANADIUM: European free market, min. 99.99 per cent, \$ per lb, in flask, in warehouse, 115-125 (115-130).

MOLYBDENUM: European free market, drummed molybdenum oxide, per lb Mo, in warehouse, 2,203-2,27 (same).

SELENIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 4.80-5.40 (4.80-1.5).

TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne unit (10

kg) WO, cif 56-66 (same).

URANIUM: European free market, min. 99.9 per cent, \$ per lb, in flask, in warehouse, 1,630-1,720 (same).

Turnover: 6,682 (1991) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne), daily average for Feb. 18 - (\$65.1

LONDON SHARE SERVICE

1

London Share Prices

Real time share prices are available by calling FT Cityline.

FT Cityline can also provide you with a confidential personal portfolio facility to give you a real time evaluation of your own personal investments.
For a free FT Cityline Share and Unit Trust

For a free FT Cityline Share and Unit Trust
Directory or to obtain your confidential
Portfolio PIN call the FT Cityline Help desk
on (071) 925 2128.
Calls charged at 38p per minute cheap rate
and 48p per minute at all other times.

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available on FT Cityline. Calls charged at 30p/min cheap rate and 45p/min at all other times. To obtain a free Unit Trust Guide book ring (071) 825-2128.

AUTHORISED
UNIT TRUSTS

Abbey Unit Tr. Mngt CL000H

80 Volemer Rd, Birmingham

BHS & Friend Ltd

Hiscox Ltd

Crown Capital

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

	Bid Price	Offer + w	Yield	Ex. Date	Bid Price	Offer + w	Yield	Ex. Date	Bid Price	Offer + w	Yield	Ex. Date	Bid Price	Offer + w	Yield	Ex. Date	Bid Price	Offer + w	Yield	Ex. Date	Bid Price	Offer + w	Yield	Ex. Date	
Norwich Union Asset Management Ltd	PO Box 140, Norwich NR3 1PP	0630 532200	Prestige Capital Life Assc. Co Ltd -		Royal Heritage Life Assurance Ltd - Contd.	Skandia's Life Assurance Co Ltd - Contd.	Target Life Assurance Co Ltd - Contd.	Iota de Mar Assurance Ltd	Baxendale Financial Management Ltd				Rathchild Asset Management (CIO) Ltd												
NIAM Funds			Capital Fund		International Growth	110.7	110.9	+0.9		Delta Fund	200.3	200.3	FTS Fund	0534 214141	FTS Fund	0534 214141	Derby Inc, Abel St, Derby DE1	FTS Fund	0534 214141						
Investment Fund	122.7	123.1	High Performance	75.0	80.0	144.2	144.2	+0.0	Delta Fund	200.3	200.3	FTS Fund	0534 214141	FTS Fund	0534 214141	Derby Inc, Abel St, Derby DE1	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	
Small Bond Fund	101.3	101.5	VFA Executive Fd	100.2	100.2	145.3	145.3	+0.0	Charter Managed	200.3	200.3	FTS Fund	0534 214141	FTS Fund	0534 214141	Derby Inc, Abel St, Derby DE1	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	
General Bond Fund	101.3	101.5	Global Fund	100.2	100.2	145.3	145.3	+0.0	Castile	200.3	200.3	FTS Fund	0534 214141	FTS Fund	0534 214141	Derby Inc, Abel St, Derby DE1	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	
European Fund	101.2	101.7	Global Fund	100.2	100.2	145.3	145.3	+0.0	International Fund	100.2	100.2	FTS Fund	0534 214141	FTS Fund	0534 214141	Derby Inc, Abel St, Derby DE1	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	
Property Fund	101.2	101.7	Global Fund	100.2	100.2	145.3	145.3	+0.0	Gift Plan	200.3	200.3	FTS Fund	0534 214141	FTS Fund	0534 214141	Derby Inc, Abel St, Derby DE1	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	
Pacific Fund	101.2	101.7	Global Fund	100.2	100.2	145.3	145.3	+0.0	Gift Plan	200.3	200.3	FTS Fund	0534 214141	FTS Fund	0534 214141	Derby Inc, Abel St, Derby DE1	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	
Property Fund	101.2	101.7	Global Fund	100.2	100.2	145.3	145.3	+0.0	Gift Plan	200.3	200.3	FTS Fund	0534 214141	FTS Fund	0534 214141	Derby Inc, Abel St, Derby DE1	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	
Individual Portfolio Fund	101.2	101.7	Global Fund	100.2	100.2	145.3	145.3	+0.0	Gift Plan	200.3	200.3	FTS Fund	0534 214141	FTS Fund	0534 214141	Derby Inc, Abel St, Derby DE1	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	
UK Equity Fund	101.2	101.7	Global Fund	100.2	100.2	145.3	145.3	+0.0	Gift Plan	200.3	200.3	FTS Fund	0534 214141	FTS Fund	0534 214141	Derby Inc, Abel St, Derby DE1	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	
UK Equity Fund	101.2	101.7	Global Fund	100.2	100.2	145.3	145.3	+0.0	Gift Plan	200.3	200.3	FTS Fund	0534 214141	FTS Fund	0534 214141	Derby Inc, Abel St, Derby DE1	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	
Individual Portfolio Fund	101.2	101.7	Global Fund	100.2	100.2	145.3	145.3	+0.0	Gift Plan	200.3	200.3	FTS Fund	0534 214141	FTS Fund	0534 214141	Derby Inc, Abel St, Derby DE1	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	
Individual Portfolio Fund	101.2	101.7	Global Fund	100.2	100.2	145.3	145.3	+0.0	Gift Plan	200.3	200.3	FTS Fund	0534 214141	FTS Fund	0534 214141	Derby Inc, Abel St, Derby DE1	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	
Individual Portfolio Fund	101.2	101.7	Global Fund	100.2	100.2	145.3	145.3	+0.0	Gift Plan	200.3	200.3	FTS Fund	0534 214141	FTS Fund	0534 214141	Derby Inc, Abel St, Derby DE1	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	
Individual Portfolio Fund	101.2	101.7	Global Fund	100.2	100.2	145.3	145.3	+0.0	Gift Plan	200.3	200.3	FTS Fund	0534 214141	FTS Fund	0534 214141	Derby Inc, Abel St, Derby DE1	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	
Individual Portfolio Fund	101.2	101.7	Global Fund	100.2	100.2	145.3	145.3	+0.0	Gift Plan	200.3	200.3	FTS Fund	0534 214141	FTS Fund	0534 214141	Derby Inc, Abel St, Derby DE1	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	
Individual Portfolio Fund	101.2	101.7	Global Fund	100.2	100.2	145.3	145.3	+0.0	Gift Plan	200.3	200.3	FTS Fund	0534 214141	FTS Fund	0534 214141	Derby Inc, Abel St, Derby DE1	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	
Individual Portfolio Fund	101.2	101.7	Global Fund	100.2	100.2	145.3	145.3	+0.0	Gift Plan	200.3	200.3	FTS Fund	0534 214141	FTS Fund	0534 214141	Derby Inc, Abel St, Derby DE1	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	
Individual Portfolio Fund	101.2	101.7	Global Fund	100.2	100.2	145.3	145.3	+0.0	Gift Plan	200.3	200.3	FTS Fund	0534 214141	FTS Fund	0534 214141	Derby Inc, Abel St, Derby DE1	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	
Individual Portfolio Fund	101.2	101.7	Global Fund	100.2	100.2	145.3	145.3	+0.0	Gift Plan	200.3	200.3	FTS Fund	0534 214141	FTS Fund	0534 214141	Derby Inc, Abel St, Derby DE1	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	
Individual Portfolio Fund	101.2	101.7	Global Fund	100.2	100.2	145.3	145.3	+0.0	Gift Plan	200.3	200.3	FTS Fund	0534 214141	FTS Fund	0534 214141	Derby Inc, Abel St, Derby DE1	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	
Individual Portfolio Fund	101.2	101.7	Global Fund	100.2	100.2	145.3	145.3	+0.0	Gift Plan	200.3	200.3	FTS Fund	0534 214141	FTS Fund	0534 214141	Derby Inc, Abel St, Derby DE1	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	
Individual Portfolio Fund	101.2	101.7	Global Fund	100.2	100.2	145.3	145.3	+0.0	Gift Plan	200.3	200.3	FTS Fund	0534 214141	FTS Fund	0534 214141	Derby Inc, Abel St, Derby DE1	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	
Individual Portfolio Fund	101.2	101.7	Global Fund	100.2	100.2	145.3	145.3	+0.0	Gift Plan	200.3	200.3	FTS Fund	0534 214141	FTS Fund	0534 214141	Derby Inc, Abel St, Derby DE1	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund	0534 214141	
Individual Portfolio Fund	101.2	101.7	Global Fund	100.2	100.2	145.3	145.3	+0.0	Gift Plan	200.3	200.3	FTS Fund	0534 214141	FTS Fund	0534 214141	Derby Inc, Abel St, Derby DE1	FTS Fund	0534 214141	FTS Fund	0534 214141	FTS Fund				

- Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

JERSEY (REGULATED)TM

WORLD STOCK MARKETS

EUROPEAN FINANCE AND INVESTMENT: THE NORDIC COUNTRIES

20 MARCH 1992

- competitive edge for your business in 1992.

This survey is part of a fourteen part series which will examine the implications of 1992 for European Finance and Investment.

To advertise in this survey please call:
Fax: 416-283-2220 Telex: 33134441

Denmark	(45) 33 134 1
Sweden	(46) 8 666 00
London	(071) 873 48
Norway	(021) 454 09

aanning Norway (321) 45 100
(based in Birmingham)
ensen Finland (358) 0 730 400

DATA SOURCE: CHIEF EXECUTIVES IN EUROPE 1990

A decorative horizontal flourish consisting of a series of small, dark, diamond-shaped dots arranged in a zigzag pattern.

FINANCIAL TIMES

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

[A horizontal line with a short vertical line extending upwards from its left end.]

4:00 pm prices February 18

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on next page

NYSE COMPOSITE PRICES

Stock	Div. E	1992	High	Low	Clos	Chg	Stock	Div. E	1992	High	Low	Clos	Chg	Stock	Div. E	1992	High	Low	Clos	Chg	
High Low Stock	Div. E	1992	High	Low	Clos	Chg	High Low Stock	Div. E	1992	High	Low	Clos	Chg	High Low Stock	Div. E	1992	High	Low	Clos	Chg	
Yield PV %	%	Yield PV %	%	Yield PV %	%	Yield PV %	%	Yield PV %	%	Yield PV %	%	Yield PV %	%	Yield PV %	%	Yield PV %	%	Yield PV %	%	Yield PV %	%
Continued from previous page																					
RyDuch	4.23	5.4	0.7076	704	677	-7	TCL Corp	0.20	3.4	17.488	67	64	+5	Unicorp	0.70	3.2	49.200	70	70	70	-1
11% Royal Vat	1.22	1.0	0.2211	114	117	-1	TCL Corp	0.40	1.2	12.255	71	69	+2	U.S. Corp	1.00	1.4	12.725	70	70	70	-1
37% Rubberland	0.34	1.3	0.3222	33	32	-1	TCL Corp	0.24	0.3	12.255	71	69	+2	U.S. Corp	1.35	1.5	12.856	71	70	70	-1
17% Rubberland	0.34	1.3	0.1214	213	195	-1	TCL Corp	0.40	1.2	12.255	71	69	+2	U.S. Corp	1.35	1.5	12.856	71	70	70	-1
15% Russel Corp	0.20	0.5	0.0211	100	95	-1	TCL Corp	0.24	0.3	12.255	71	69	+2	U.S. Corp	1.40	0.8	12.800	71	70	70	-1
40% Russel Corp	0.20	0.5	0.2174	140	135	-1	TCL Corp	0.24	0.3	12.255	71	69	+2	U.S. Corp	1.40	0.8	12.800	71	70	70	-1
24% Ryder Sys	0.80	2.4	0.2587	100	95	-1	TCL Corp	0.24	0.3	12.255	71	69	+2	U.S. Corp	1.40	0.8	12.800	71	70	70	-1
29% Ryder Sys	0.80	2.4	0.2587	100	95	-1	TCL Corp	0.24	0.3	12.255	71	69	+2	U.S. Corp	1.40	0.8	12.800	71	70	70	-1
S -							V -							U -							
31% S.A. Inc.	1.87	7.1	0.17	19	18	-1	VC Corp	0.20	2.8	17.488	70	67	+3	U.S. Corp	1.40	0.8	12.800	71	70	70	-1
18% S.A. Inc.	1.87	7.1	0.17	19	18	-1	VC Corp	0.20	2.8	17.488	70	67	+3	U.S. Corp	1.40	0.8	12.800	71	70	70	-1
29% SDS Tech	1.49	4.8	0.22	32	31	-1	VC Corp	0.20	2.8	17.488	70	67	+3	U.S. Corp	1.40	0.8	12.800	71	70	70	-1
21% S.A. Inc.	1.93	24.4	0.0512	15	15	-1	VC Corp	0.20	2.8	17.488	70	67	+3	U.S. Corp	1.40	0.8	12.800	71	70	70	-1
12% S.A. Inc.	1.27	10.1	0.0512	15	15	-1	VC Corp	0.20	2.8	17.488	70	67	+3	U.S. Corp	1.40	0.8	12.800	71	70	70	-1
15% S.A. Inc.	1.45	4.5	0.22	32	31	-1	VC Corp	0.20	2.8	17.488	70	67	+3	U.S. Corp	1.40	0.8	12.800	71	70	70	-1
20% S.A. Inc.	0.84	3.2	0.2174	142	142	-1	VC Corp	0.20	2.8	17.488	70	67	+3	U.S. Corp	1.40	0.8	12.800	71	70	70	-1
15% S.A. Inc.	0.84	3.2	0.2174	142	142	-1	VC Corp	0.20	2.8	17.488	70	67	+3	U.S. Corp	1.40	0.8	12.800	71	70	70	-1
20% S.A. Inc.	0.84	3.2	0.2174	142	142	-1	VC Corp	0.20	2.8	17.488	70	67	+3	U.S. Corp	1.40	0.8	12.800	71	70	70	-1
15% S.A. Inc.	0.84	3.2	0.2174	142	142	-1	VC Corp	0.20	2.8	17.488	70	67	+3	U.S. Corp	1.40	0.8	12.800	71	70	70	-1
20% S.A. Inc.	0.84	3.2	0.2174	142	142	-1	VC Corp	0.20	2.8	17.488	70	67	+3	U.S. Corp	1.40	0.8	12.800	71	70	70	-1
20% S.A. Inc.	0.84	3.2	0.2174	142	142	-1	VC Corp	0.20	2.8	17.488	70	67	+3	U.S. Corp	1.40	0.8	12.800	71	70	70	-1
20% S.A. Inc.	0.84	3.2	0.2174	142	142	-1	VC Corp	0.20	2.8	17.488	70	67	+3	U.S. Corp	1.40	0.8	12.800	71	70	70	-1
20% S.A. Inc.	0.84	3.2	0.2174	142	142	-1	VC Corp	0.20	2.8	17.488	70	67	+3	U.S. Corp	1.40	0.8	12.800	71	70	70	-1
20% S.A. Inc.	0.84	3.2	0.2174	142	142	-1	VC Corp	0.20	2.8	17.488	70	67	+3	U.S. Corp	1.40	0.8	12.800	71	70	70	-1
20% S.A. Inc.	0.84	3.2	0.2174	142	142	-1	VC Corp	0.20	2.8	17.488	70	67	+3	U.S. Corp	1.40	0.8	12.800	71	70	70	-1
20% S.A. Inc.	0.84	3.2	0.2174	142	142	-1	VC Corp	0.20	2.8	17.488	70	67	+3	U.S. Corp	1.40	0.8	12.800	71	70	70	-1
20% S.A. Inc.	0.84	3.2	0.2174	142	142	-1	VC Corp	0.20	2.8	17.488	70	67	+3	U.S. Corp	1.40	0.8	12.800	71	70	70	-1
20% S.A. Inc.	0.84	3.2	0.2174	142	142	-1	VC Corp	0.20	2.8	17.488	70	67	+3	U.S. Corp	1.40	0.8	12.800	71	70	70	-1
20% S.A. Inc.	0.84	3.2	0.2174	142	142	-1	VC Corp	0.20	2.8	17.488	70	67	+3	U.S. Corp	1.40	0.8	12.800	71	70	70	-1
20% S.A. Inc.	0.84	3.2	0.2174	142	142	-1	VC Corp	0.20	2.8	17.488	70	67	+3	U.S. Corp	1.40	0.8	12.800	71	70	70	-1
20% S.A. Inc.	0.84	3.2	0.2174	142	142	-1	VC Corp	0.20	2.8	17.488	70	67	+3	U.S. Corp	1.40	0.8	12.800	71	70	70	-1
20% S.A. Inc.	0.84	3.2	0.2174	142	142	-1	VC Corp	0.20	2.8	17.488	70	67	+3	U.S. Corp	1.40	0.8	12.800	71	70	70	-1
20% S.A. Inc.	0.84	3.2	0.2174	142	142	-1	VC Corp	0.20	2.8	17.488	70	67	+3	U.S. Corp	1.40	0.8	12.800	71	70	70	-1
20% S.A. Inc.	0.84	3.2	0.2174	142	142	-1	VC Corp	0.20	2.8	17.488	70	67	+3	U.S. Corp	1.40	0.8	12.800	71	70	70	-1
20% S.A. Inc.	0.84	3.2	0.2174	142	142	-1	VC Corp	0.20	2.8	17.488	70	67	+3	U.S. Corp	1.40	0.8	12.800	71	70	70	-1
20% S.A. Inc.	0.84	3.2	0.2174	142	142	-1	VC Corp	0.20	2.8	17.488	70	67	+3	U.S. Corp	1.40	0.8	12.800	71	70	70	-1
20% S.A. Inc.	0.84	3.2	0.2174	142	142	-1	VC Corp	0.20	2.8	17.488	70	67	+3	U.S. Corp	1.40	0.8	12.800	71	70	70	-1
20% S.A. Inc.	0.84																				

AMERICA

Dow reverses early climb on Fed's surprise move

Wall Street

US STOCK markets staged a remarkable turnaround yesterday, with share prices falling sharply from early highs in the wake of an unexpected announcement from the Federal Reserve that it was cutting bank reserve requirements, writes Patrick Harverson in New York.

At the close the Dow Jones Industrial Average was down 21.24 at 3,224.73, having earlier in the day been more than 20 points ahead and reaching its record close of 3,276.83. The Standard & Poor's 500 finished a sharp 5.10 off at 407.38, while the Nasdaq composite of over-the-counter stocks showed a drop of 10.02 at 826.41. Turnover on the New York SE came to 234m shares.

The Fed's announcement that, as from April 2, it was reducing reserve requirements on bank transaction accounts from 12 per cent to 10 per cent initially lifted sentiment, on the grounds that the move would allow banks to pass on lower funding costs to customers in the form of cheaper credit.

Within hours, however, the market had turned around as investors took their cue from a decline in bond prices, which

were depressed by fears that the Fed's actions ruled out another interest rate cut. As the falling 30-year bond pushed benchmark long-term interest rates up towards 8 per cent, equity investors took flight.

The news of the reduced reserve requirements, however, helped some bank stocks. Chase Manhattan rose \$1 to \$24, Citicorp \$1 to \$106, BankAmerica \$1 to \$40 and BancOne \$1 to \$46.

Airline issues were in the lime-light in the wake of positive comments on the sector from analysts at two broking houses, Shearson Lehman Brothers and First Boston, and lower crude oil prices. UAL advanced \$2 to \$145, AMR (parent of American Airlines) \$2 to \$76, Delta \$1 to \$70 and USAir \$1 to \$17.

Walt Disney jumped \$3 to \$148 after the entertainment group announced plans for a four-for-one stock split.

On the American Stock Exchange, Greyhound Lines slipped \$1 to \$107 after the bus operator said it would purchase new buses for \$24m. Turner Broadcasting "A" shares eased \$1 to \$22 on news that the company will soon unveil plans for a new cartoon television network.

Among mostly weaker oil shares, Phillips Petroleum was unchanged at \$115%.

Canada

TORONTO stock prices fell sharply in the final hour of the session in moderate trading, dragged down by Wall Street.

The composite index fell 18.6 to close at 3,551.2. Declining issues outnumbered advances by 325 to 255, while volume amounted to 27m shares.

Dominion Textile slipped \$3 to \$158. The company said it will discontinue operation of its Dominion Fabrics unit, and will permanently close two plants run by the unit.

Abitibi-Price reported a fourth-quarter loss of \$46.6m, or 70 cents a share, after a restructuring charge of \$24.4m. The stock was unchanged at \$115%.

EUROPE

THE RISING dollar pulled most bourses higher yesterday, writes Our Markets staff.

PARIS jumped to its highest level since Iraq invaded Kuwait on August 2, 1990, as foreign institutions went on an afternoon buying spree of cyclical stocks with exposure to the US. The CAC-40 index pierced the 1,900 level with relative ease, and closed 30.4 or 1.6 per cent higher at 1,912.21 in heavy buying of FF1.6m. Program buying was noted.

Saint Gobain was the day's biggest gainer, adding FF130 and 6.1 per cent to FF252, and accounting for 10 per cent of the CAC-40's rise. Lafarge rose FF119 to FF383. Both companies have significant dollar earnings.

Car stocks were also in demand, with Peugeot rising FF16.10 to FF164.10.

Credit Local de France made a rare appearance in the top 20 volume list as it continued to drag FF14.40 higher at FF121.10 with 212,850 shares traded.

On the way down was Total, which lost FF3.60 to FF18.00 on concerns that lower oil prices would erode its refining margins. Rémy Cointreau fell FF3.70 or 5.1 per cent to FF180.30 with only 4,600 shares traded. Dealers said the stock had collapsed after the family withdrew its support last week.

FRANKFURT rose by nearly 1 per cent as the strong dollar helped exporters, and weaker oil prices in general; the DAX index rose 1.6 to 1,684.59 after a 5.4% rise to 1,638.70 in the FAZ at mid-morning. Volume improved to DM6.5m from DM4.4m.

Among exporters, Siemens rose DM8 to DM678 and Volkswagen DM4.70 to DM493, while Metallgesellschaft, DM6.50 higher at DM414, was also rated as a dollar beneficiary given that its metal sales contracts are expressed in the US currency.

Technical reasons were also advanced for the gains, including volatility ahead of Friday's expiration of DTB futures and options contracts, buying in

improve much further during the rest of this year.

Foreign institutions have also been responsible for an increase in volume. Mostly from the US and the UK, they have been buying shares in the reliable utilities sector and the construction industry. Turnover in January totalled Scholten (51.0m), compared to Scholten in December and in January last year.

Mr Christian Gutscherer, a senior official at the Vienna Chamber of Commerce, says: "There are signs that a rebound is taking place. But any increase in the index is still dependent on so many factors."

One of these factors is the slowing down of the Austrian economy, which traders hope will not dip into recession. Estimates for GDP, which grew by 4 per cent in 1990 and 3 per cent in 1991, have been revised down to 2.3 per cent for 1992 - still relatively high compared with other OECD economies.

Economic Forecasting, will decrease this year from 6 per cent to 3 per cent of profits; nor is the latest round of wage-bargaining which agreed to a 4.8 per cent rise. Rather, it is interest rates, and the uncertainty in the former Soviet Union, which continue to dull confidence in the bourse.

Because the schilling is tied to the D-Mark, Austria has had to bear correspondingly heavy interest rates. The recent dip of 0.3 points to 8.2 per cent in bond yields has had little effect on the bourse. "Interest rates are still too high," says Mr Peter Szope, a senior analyst at Vienna's Grosvenor bank.

"Normal credit rates are about 10 per cent. This is too expensive." Any decline in German interest rates would be welcomed in Vienna.

The disintegration of the Soviet Union has been a mixed blessing. Shares in IBM, the computer parts manufacturer which supplied the Soviet mar-

ket, have fallen by over 20 per cent since last August.

However, the construction industry, particularly Wienerberger, Pöhl, and Macmillan, is thriving in eastern Europe and the former Soviet republics. Macmillan, for example, is being paid by the German government to build homes for Soviet troops returning from eastern Europe. Order books in the construction sector are up 22 per cent on a year ago, while earnings are expected to grow by 5.5 per cent in real terms.

"I am cautiously optimistic. But I think we are between the phases," says Mr Szope. "On the one hand, the foreigners are returning, slowly. On the other, we are waiting not only for new forecasts due at the end of March, but for indications that the US, the UK, and other western economies will emerge from the recession later this year. If not, we cannot expect any upturn in the bourse."

The sluggish growth in GDP, however, is not the main reason for the decline in corporate investment which, according to WIFO, the Vienna Institute for

Wall Street

Source: Datamonitor

FT-A World Indices in local terms (rebased)

Source: Datamonitor

Europe and UK

Austria

Source: Datamonitor

Source: Datamonitor